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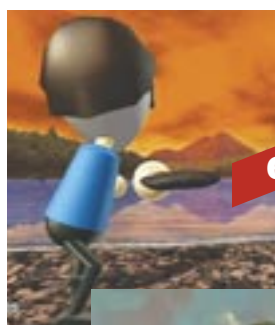
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Frank Dillon, Editor

Our Sustainable Future

There is no single answer to Ireland's economic problems, no panacea. There is a common link, however, in the prescription for how we get things right from here on in. The key word is sustainability.

Any analysis of where Ireland went wrong will see that short-term thinking lay at the heart of the problem. Our construction and property bubble, the excessive lending of financial institutions, the inability of our regulators to take a wider, more considered view – all examples of where we failed to see the long-term consequences of what we were doing.

As Jim Power points out in our lead feature in this issue, we took our eye off the ball around the turn of the millennium, we took the focus off Foreign Direct Investment (FDI), allowed our costs to rise and became overly reliant on the construction sector.

Few dispute the importance of FDI to Ireland's economy. It is massively important and the IDA has done a remarkable job in positing Ireland in the Premier League of locations in sectors such as ICT and Life Sciences. However, FDI is not the sole answer. We need to look at our indigenous strengths and, in looking forward, looking to the past may provide us with some useful clues.

In this issue we interview John Teeling. One of his finest achievements in business is the revival of the Cooley Distillery. As he notes, Irish whiskey once dominated the world – we had a 60% share of the world market before makers of Scotch outflanked us. The added value content in whiskey is enormous. We know how to produce an excellent product. It's just one example of the type of market that we should be looking to dominate, based on our indigenous strengths.

Arts, culture and heritage is another example. We are a unique people, with a marvellous ability to communicate and connect. We are popular internationally. We need to rediscover the confidence to leverage what we have on the world stage and we need to plan around our key strategic strengths in ways that will prove sustainable in the long-term.

Frank Dillon
Editor

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TRADE

New Frontiers in Finance



What if you could give your customers the money to buy your products? For free. Here's a bold forecast: by the end of the decade you'll be doing just that, writes GERARD O'NEILL. And I'm not talking about 'vendor finance' or microcredit. I'm talking about printing and distributing your own bank notes. Legally, of course.

William Gibson once said that 'the future has already arrived, it's just not evenly distributed'. So where can we see the future, now? Brixton in south London is one place to start. There, local businesses have got together to launch the Brixton Pound - a complementary currency that can only be used in participating stores in Brixton. Shoppers can buy Brixton Pounds (in the same denominations as actual Pounds but featuring famous Brixton residents - including David Bowie!), and then use them to avail of special offers only available in Brixton Pounds. The idea is to encourage local residents to shop locally, and they've recently introduced a pay-by-text version of the Brixton Pound.

Further afield, in Amsterdam, the suburb of Bijlmer has launched the Bijlmer Euro. There, instead of printing new notes, they have recycled RFID tags from tickets used on Amsterdam's public transport system by sticking them on euro notes. These 'enhanced' notes can then be used in local shops, with cheap RFID scanners, to again avail of special deals and discounts, keeping money circulating in the local economy. The scanner information is then used to track the circulation of Bijlmer Euro and to help identify new opportunities.

Closer to home, we have two examples of businesses in Irish towns experimenting with new types of money. Or, in one case, old money - shops in Clones in Monaghan are accepting Punts, which are no longer legal tender, in payment for goods and services. Apparently a lot of people still have old notes 'under the mattress' - including customers now coming from Northern Ireland!

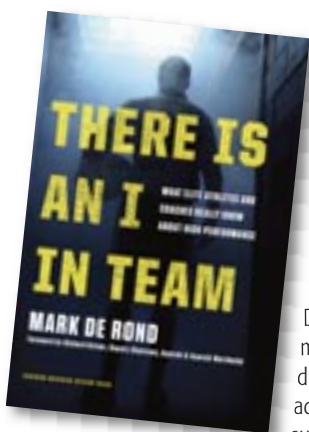
The other example is Clonakilty. There, instead of new types of money, they have introduced the Clonakilty Favour Exchange (CFE). People earn 'Favours' by offering work for free for other members of the exchange (15 minutes = 1 Favour), which can then be redeemed by asking for favours in return (e.g. a lift to Cork). CFE is an example of a time-based complementary currency - and just one of hundreds of such experiments now under way around the world.

But we are only at the beginning. The world of money itself is undergoing revolutionary changes that will have far-reaching consequences for how we live, work and do business in the years ahead. Already we have seen the growth of PayPal as a method of peer-to-peer payments facilitated by the Internet. Barclays have developed an app called Pingit which allows users to make payments from one mobile phone to another, instantly. Beyond PayPal and Pingit - both firmly in the world of 'legal tender' - there is Bitcoin: a private, digital currency used instead of 'regular' money to make online payments.

Gerard O'Neill is Chairman of Amarach Consulting. ■

PERFORMANCE

The 'I' in Team



AWe've all worked with one - a smart and immensely talented individual who brings enormous value to the organisation. The problem? He's an awful teammate.

Despite good intentions, managers can find it difficult to make teams add up to more than the sum of their parts. Their

underlying questions are always the same: Why isn't my team performing to its potential? Given our pool of experience, talent, and ambition, why are things

not what they could be? How can I get talented people to work together more successfully?

In a new book *There Is an I in Team: What Elite Athletes and Coaches Really Know About High Performance* (Harvard Business Review Press), Mark de Rond, professor of Strategy and Organization at Judge Business School, University of Cambridge, looks at the performance of teams through the lens of sports. Through first-hand accounts of elite athletes, elite teams and their coaches, he explores the relationship between individual and team - and asks the question: How can we harness the talent of individual performers into a cohesive, productive team that creates value?

Based on the experiences and stories of well-known athletes and coaches including Michael Jordan, Sir Alex Ferguson, Magic Johnson, Joe DiMaggio, John Eales, Bill Walsh, Michael Phelps, Adrian Moorhouse, Seve Ballestreros, and Brian Clough, de Rond challenges common assumptions about teams - and provides fresh insight into how they become high-

performing and value-creating teams.

De Rond's main focus is on the individual - where traditional analysis on teams has focused on the group as a whole. Where managers often go astray, according to de Rond, is that they focus on what matters to the organization, assuming the organization matters to individuals. They focus exclusively on the importance of cooperation without considering the relevance of competition within teams. They look to recruiting stars from outside instead of growing theirs in-house. They focus on statistics at the expense of intuition, and on the importance of change rather than stability.

Though sports metaphors permeate business vernacular, de Rond's research has debunked much of the received wisdom on teamwork and offers managers and anyone on a team more substantive ideas about how to be a better player - or coach - based on what we know from the world of elite sports. ■

GAMING

The Serious side of play



It probably started with *The Kids Are All Right*, which was one of the first books we read about gaming and how it impacts on business and the next generation of human capital, writes Ron Immink. Fun Inc. explains the importance of the gaming industry and also starts talking about gaming as the future interface for product and services.

The Shallows and Future Minds warn about the dangers of computer games and how our brains, and particularly the brains of our children, are being rewired - possibly not in a good way.

What to believe?

I have always been in two minds about it. I am an avid gamer myself. It started when my parents gave my brothers and me a Commodore 64, and many happy hours were spent playing games such as Blue Max and Ghost Busters. Nowadays I play the Xbox360, with games such as Halo and Mass Effect. Great escapism. My son is a gamer too, playing online with his friends on games such as FIFA and Call of Duty.

There was always the concern (and guilt) about whether gaming is an unsocial activity, how it impacts on behaviour, does it dumb down, whether time could be better spent etc.

The benefits of gaming

No longer. Gaming is good for you! It makes you happier, more sociable and develops a whole range of skills that will make you a better person. Reality is Broken explains how big gaming has become, how the science of happiness and gaming go hand in hand and how gaming could be applied to solving some of the big problems we are facing.

Gaming is now a 68 billion dollar industry. Over half a billion people play games, playing on average two hours at a time. 97% of all youth play computer games. On Warcraft alone people have clocked up a staggering 5.93 million years of playing. Each day 30 million working

hours are spent on Warcraft. We will all become gamers - if we are not already.

Gaming makes you happy

Why is gaming so powerful? In two words? Positive psychology. I am sure you are familiar with the term "flow". There is not enough "flow" in real life. Gaming fulfils the need for achievement, hard fun and is truly engaging. It hits three of our happy hormones: Norepinephrine, Epinephrine and Dopamine. Pride, arousal and satisfaction. Gaming activates us emotionally in a way that school, work and a lot of products and services don't. And there lies the kicker.

Ignore gaming at your peril

If you believe that a brand is the sum of shared experiences (experience being the operative word), if you believe that products need to be compelling within seconds because of our shortened attention span and information overload, then you cannot ignore gaming.

If you want to retain your talent and get the best out of your staff, you cannot ignore gaming.

If you are an educator and you are teaching pupils who now have experienced true engagement and fun, you cannot ignore gaming (schools are boring!!). Have a look at Quest for learning, a school in the USA based on gaming principles.

10,000 hours

Kids spend about 2,000 hours reading and 10,000 hours playing games. That is the 10,000 hours threshold to which Malcolm Gladwell refers in *Outliers* as being extraordinary.

Imagine using gaming to effortlessly engage people in developing their skills and talents. 10,000 hours of fun and learning. As a result we will have a lot more happy and extraordinary people starting businesses, solving problems, working in your organisation.

Applying gaming to the future

Which brings us to the last part of the book. What happens if we apply gaming to the future of our planet? Multiplayer foresight? Playing in a world without oil? Using crowds, collective intelligence and super gaming talents cooperating and co-creating, playing the scenarios and coming up with the solutions?

Business and gaming

That is where I got lost. Gaming as a tool to create Utopia? But I can see that as a business, gaming principles could be applied to innovation, marketing, branding, organisational development, work and product design. In fact I think it will be inevitable.

The good news is that for you to understand gaming, you will have to start playing yourself. Buy an Xbox, buy Halo and start playing. Gaming as work. Which is the point.

Ron Immink is a serial entrepreneur and self-styled 'business books geek' ■

PRESENTATION

Seven Secrets for a Perfect Pitch

As The Pitch Doctor, I'm often asked for my top tips, and of course the answer is very much dependent on context, writes Paul Boross. What makes a good technical presentation doesn't always make a good sales presentation. However there are common elements about how you connect with your audience and get your message across that will enable you to get your passion and enthusiasm for the subject into the minds of your audience.

Secret 1: It's All About Them

When you simply pay attention to the audience instead of your own desires and worries, your fears will melt away and you'll find yourself making an instant connection.

Secret 2: By The Time You Start, It's Already Too Late

The pitch starts the moment the audience first commit to listening to your pitch, and you must be able to influence them. What you say in your invitation is almost more important than what you say in your pitch.

Secret 3: Steady, Ready, Pitch!

Get the audience's attention, but avoid ice breakers, because they actually distract from the topic of your pitch and break rapport. Pausing before you begin is a sign of control, so take all the time you need.

Secret 4: Dream The Dream

Drawing the audience into your dream with vivid, emotional and sensory language allows you to convey far more than you ever could describe in facts, figures and 'benefits'. Bring your pitch to life with metaphor, stories and rich, evocative language.

Secret 5: Mind Your Language

While 93% of your message may be conveyed non-verbally, there is no doubt that your language conveys the raw information that your audience needs to make a decision.

For example, the traditional phrasing of 'feature (which means) benefit' actually breaks rapport with the audience. Try 'benefit because feature' instead.

Secret 6:

Say It Again, Sam

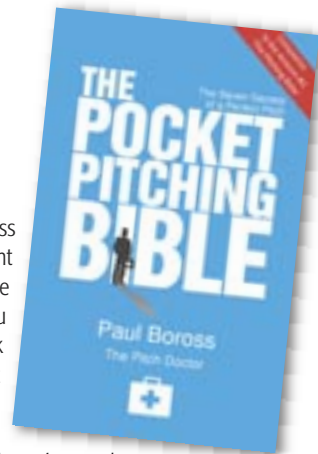
Get your message across in as many different ways as possible including the way you dress, the way you walk into the room, what you say in the invitation email. These all communicate your intention, and can multiply the power of your message.

Secret 7: The End... Or Is It?

What's the encore to your pitch? As an absolute minimum, you must send a follow-up letter. Make it personal, specific, relevant, optimistic and remember to ask for their business.

After all, wouldn't you rather work with someone who genuinely and passionately wants your business?

The Pitching Bible and The Pocket Pitching Bible, both by Paul Boross, are published by CGW Publishing ■



SMART THINKING

Plan B creates vibrancy

The recession means that Ballymun, like many areas across the country, now has a high number of vacant commercial units along its Main Street and in its neighbourhood centres. Rather than let this space go to waste, a locally devised initiative called 'Plan B' reuses these vacant spaces on a temporary basis for artistic, cultural, creative and environmental uses.

Plan B was developed by Ballymun Regeneration Limited, the company set up by Dublin City Council to oversee the development of a new town in Ballymun and AXIS, the arts and culture centre based in Ballymun.

The Plan B occupant is responsible for all running costs associated with the unit (e.g electricity & bin charges). The occupant must ensure that all relevant insurances are in place and a nominal rent will be charged for use of the unit. The use of the unit is governed by an occupational licence.

The idea is that reuse of these empty spaces creates active and vibrant streetscapes, which supports adjoining businesses and attracts new visitors to Ballymun. The Plan B project also supports the artistic/creative industries that need space to learn, grow and develop and allows the occupants to develop their business model.

There are currently have two Plan B occupants in Ballymun: Darragh Kirby, National College of Art and Design, who is constructing a

recycled playground which will be brought around the country to schools and community centres; and DCTV, a community based TV station which is filming summer events in Ballymun and utilising local people as presenters, producers, directors, writers etc.

"Significant physical and social changes have taken place in Ballymun since the commencement of the regeneration process in 1998 and it is important to keep the momentum of these changes, as Ballymun Regeneration Limited is in the final three year capital programme for the period 2012-2014," says Nial Conlan of Ballymun Regeneration Ltd. "Projects like Plan B, which are revenue neutral, drive enterprise forward and create something that is unique, different and positive – for both the area and the participants."

Conlan says that Ballymun Regeneration is very interested in hearing from people who are interested in participating in the Plan B project, in terms of occupancy and sponsorship.

Contact: Nial Conlan, neil.conlan@dublincity.ie 01-222-5611 or Pamela Connolly pamela.connolly@dublincity.ie 01-222-5659. ■





Building a sustainable recovery

With much of the national and international focus remaining on the broad debt issue the question of how future growth is to be managed is in danger of being overlooked. Decision Magazine solicited views on this matter from four very different standpoints:

PJ Rudden, president of Engineers Ireland and group business director of environmental and engineering consultancy RPS; DCU lecturer Dr Anne Morrissey; Irish Congress of Trade Unions general secretary David Begg; and economist and chairman of Love Irish Food Jim Power.

By **BARRY MCCALL**

Hardly a week goes by without some new mechanism being suggested to alleviate either the sovereign debt generally or the country's banking debt specifically. Among the more recent was Dr Peter Bacon's proposal to sell NAMA off to a private equity investor. The argument may have moved on from the negative and nihilistic doctrine of bondholder burning to more creative solutions for the debt issue, but the growth component is still being largely ignored despite its recent introduction to the mainstream debate following the French presidential election.

That this should be the case may be understandable, but it should also be a matter of some concern. The one thing upon which all the economists are agreed is that the debt issue will be resolved one way or another. Whether by mass default, widescale forgiveness, pooling via Eurobonds, radical restructuring and rescheduling, a Eurozone break-up, or simply by Germany writing a blank cheque, it will ultimately be sorted.

While the proverbial debt elephant cannot be ignored or wished away the fact remains that growth will play the most important role in our economic salvation. And Ireland has been here before. Ireland's debt to GDP ratio currently stands at a little over 108%. In 1987 it stood at 109%. The bond markets are currently charging us 7% and above for borrowings; in the 1980s it was nearly double that at times.

The country grew its way out of that near calamitous position. The overall national debt never really changed in volume terms but its scale as a proportion of GDP diminished rapidly until it reached a low of just under 25% in 2007. This and the annual GDP growth number were the headline figures used by many to judge the so-called economic miracle that was the Celtic Tiger.

Unfortunately, the miracle proved every bit as illusory as a crock of gold at the end of a rainbow. The boom turned out to have been completely unsustainable and the aftermath far more painful than anyone could have predicted or even imagined.

The question therefore is not simply one of how to generate growth, but how to create sustainable growth and manage it in such a way that it does not build up a store of toxic after-effects to be dealt with by subsequent generations.

The most common definition of sustainable development comes from the report of the 1987 UN Commission on Environment and Development, commonly known as the Brundtland Report. It defined it as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs". Even by that very basic measure Ireland certainly got things wrong during the boom.

As PJ Rudden puts it: "As our economy is threatened there is a temptation to go for quick fix solutions that lack the advantage of long term social, environmental or economic sustainability. We have to avoid that temptation and be known for what we build, not for what we destroy. And yet we now look across our nation and see ghost housing estates, empty offices and empty hotel rooms. We

know that we are not looking at development that was sustainable either in economic or social terms."

Dr Anne Morrissey is course director of Ireland's first ever M.Sc. in Management for Sustainable Development at DCU and points out that the interconnectedness of the global economy has to be taken into account when making decisions for the future. "The basic definition of sustainability is not doing anything that impacts adversely on future generations", she explains. "There are no quick fixes, you have to look at the long term impacts and take a holistic approach."

And these are not mere clichés. "If you just look at any quick buck solution aimed at improving efficiency or reducing costs in the short term it can often be more costly in the longer term. Many firms which outsourced elements of their service or production ultimately had to reverse the decision. You also have to think about what impact a decision might have in other parts of the world and how events there might impact on you. The world is now one big system and it really is a question of thinking globally and acting locally."

Rudden: "As our economy is threatened there is a temptation to go for quick fix solutions that lack the advantage of long term social, environmental or economic sustainability. We have to avoid that temptation and be known for what we build, not for what we destroy".

The most obvious example of her point is supply chain management. A company in Ireland that becomes excessively reliant on raw material or component supplies from the Far East runs very high levels of risk to increased prices in the region as a result of growth fuelled inflation or indeed a the rolling introduction of a tradable renminbi over the next three years or so.

According to David Begg a number of complex problems will face Ireland in the coming years and solutions will have to be found to these if sustainable growth is to be delivered. "Leaving aside the obvious question of euro survival, and assuming that it will survive, the Europe of the future is likely to be much more deeply integrated. Europe is currently institutionally inadequate to deal with its need for greater economic and fiscal co-ordination."

That may be a question for Brussels but it leaves some pretty fundamental issues for Ireland. "Ireland's foreign policy is based on it being a multi-integrated peripheral economy which interfaces and interacts with the EU, UK and the US in different way. Our relationship with the EU will be much more central in future and the recent Fiscal Treaty debate missed that point."

His point is that Ireland is going to have to learn to manage in that new situation. "We recently had the Taoiseach saying that Britain was our greatest ally in Europe. How do we balance that close relationship with a country led by the congenitally Eurosceptic Tories with our relationship with Europe led by integrationist Germany?"

This in turn will ask some fundamental questions of our industrial and social policymakers. "Can we have an industrial base that's sustainable on foreign direct investment only while the indigenous base is weak?" he asks. "Are we going to be a kind of liberal market oasis in the middle of all this while every other country in the Eurozone is a social market economy to one extent or another?"

Jim Power agrees that these questions must be answered, and proposes some solutions. "Our development model was driven by



P J Rudden believes Ireland's education system to be "the key driver of our new competitive advantage"

FDI in the 70s, 80s and 90s", he notes. "It's a path to industrial and economic development which we embraced quite aggressively. It's driven by FDI, competitiveness and export growth and it did deliver for Ireland. But we took our eye off the ball around 2000 and took the focus off FDI. We allowed our costs to rise and became way too reliant on one sector – construction. What we now need to do is sit down and develop a strategic plan for the future which identifies the sectors we are good at and focuses on them for growth."

FDI will remain important in future but less so. "It will be more difficult to attract FDI in the future", Power believes. "We will also have to look to our own indigenous sectors. Agri-food is an obvious one where there are global opportunities and where we are already strong. Arts and cultural tourism is another, as is general tourism. We also have to look at the whole R&D and innovation agenda. Ireland is not going to be a manufacturing base in the future, there will only be limited manufacturing here. It might be a cliché but we have to move more



Morrissey: "The basic definition of sustainability is not doing anything that impacts adversely on future generations."

up the value chain and apply R&D and innovation to areas like health, education and energy."

For Power the key will be the Irish people themselves. "The driver of all that will be the quality of our people, and investment in our people will need to be the key priority in future. When you look at what's happening in the emerging economies like India and China you can see the importance of this. When you see what India is doing in areas like generic drug production you could get very fatalistic about Ireland's future as a manufacturing location. The future is not going to be about being the cheapest; it will be about being the best."

Rudden agrees: "Our education system in Ireland has always been the key driver of our competitive advantage. We also need to provide an adequate system encouraging 'life-long learning' to the professional community to meet the growing demands of a dynamic economy where the 'shelf life' of many of our skills are constantly challenged. That flexibility should in future help us to retrain and move sectors in the event of even temporary downturn of other areas."

There is general agreement in relation to the need for a more broadly based recovery with growth managed on a sustainable basis. The question of how to implement such a solution remains, however. Unsurprisingly, David Begg believes a return to social partnership could offer the answer.

"We have to look at how we are going to deal with pay determination in the future", he argues. "There are wage pressures building, but sustaining our competitiveness means keeping our inflation here below that of other members of the currency union. The economic levers to do that will be held elsewhere so it is a fairly obvious case for social partnership. If we are to stay in the Eurozone the countries we should really be modelling ourselves on are not the UK or US but

the other small, open economies of Northern Europe such as the Netherlands, Denmark and Finland."

He points out that a key element of Finland's recovery from its fiscal and economic crisis of 1992 was the building of a social consensus. "They found that they couldn't afford the luxury of fighting among themselves and nor can we. In other European countries like Germany the whole idea of social partnership is much more deeply rooted and permeates right down to the level of the factory. Everyone is engaged with the national interest. And we have no real choice here in Ireland; as sure as night follows day there will be a resurgence of wage tensions and we don't have access to the normal way of disciplining wage setting through central bank action, so social partnership should have a major role to play."



David Begg: "a return to social partnership could offer the answer for a sustainable recovery"

Jim Power has a somewhat different view. "To deliver a sustainable recovery we need to have the people with responsibility in the government and the permanent administration all singing off the same hymn sheet. In theory social partnership is a good thing and the German model of it has been very successful. What passed for social partnership here in Ireland was just a vehicle for the public service unions to get what they wanted. I would regard the social partnership we had from 1998 on as part of the problem. If we could get a form of partnership where the vested interests didn't dominate, that would be good."

But he sees a need for something far different from the consensus building approach of partnership. "What is needed is a sort of benign dictatorship to drive things on. We need to develop our own diversified economic model. We can't just stand back and wait. We have to make things happen for ourselves. That might require another Plan for Economic Expansion like we had back in the 1960s



"Agri-food is an obvious sector where there are global opportunities and where we are already strong", says Love Irish Food's Jim Power.

at the time of Whittaker and Lemass. We also need to be open to getting in international expertise to help us."

Rudden concurs on what does appear to be a way forward which most people could buy into. "Now is the time for longterm economic planning like we had in the early 1960s. We seem to forget that the economists and engineers responsible for that era of planning are now the 'sung heroes' of today – Dr TK Whitaker and his contemporaries. At the same time I sometimes wonder if the quality of economic planning 50 years ago were to have been continued into the 70s, 80s and 90s would we now have the many problems we currently have – not all of which have been created by the banking crisis."





The Climate Economy

Investment in Sustainable Energy is no longer an opportunity but an inevitability says **MICHAEL LALOR, Senior Relationship Director at HSBC Corporate Banking Ireland**

Last year, HSBC produced a report which forecasted a tripling of economic growth globally over the next 40 years. One of the many questions raised by this was whether the planet has enough capacity to sustain such a dramatic increase in output. Whilst the answer is a cautious yes, the caveat is: only if levels of resource productivity are improved many times over.

Global prosperity depends on the provision of natural resource inputs (food, fuel and materials) and the regulation of natural processes (e.g. water filtration, crop pollination and climate stability). Most of these services are under-priced in today's global economy, with the inevitable result that many natural assets are becoming over-exploited. Not only are many externalities, such as carbon costs, poorly priced, but additional agricultural, energy and water subsidies encourage further depletion.

As a result, the global economy's 'ecological footprint' has doubled since 1966. By 2007, humanity was using the equivalent of 1.5 planets each

year to support its consumption levels, according to the WWF. By 2030, the footprint is projected to have deepened to two planets' worth of resources each year and to 2.8 planets in 2050.

There are real limits to the continued expansion of the global economy's ecological footprint and if these are not confronted then economic output and human well-being will become increasingly constrained. Essentially, the global economy has entered a period of ecological deficit – depleting natural assets faster than these can be replenished. Ultimately, this runs the risk of local and, increasingly, global constraints on economic activity.

Greenhouse gas emissions are the largest and fastest-growing component of the global economy's ecological footprint. Yet to have a reasonable chance of holding long-term global warming to around 2 degrees Celsius, they will need to be cut by half by 2050 at a time when the global economy is more than tripling.

Breaking the historic link between economic growth and carbon emissions will certainly be hard. But it is both technologically feasible and economically attractive. Growth can also be delivered by investing in the markets, technologies, knowledge and business models that improve resource productivity and sustain natural assets.

There is no doubt that investors are starting to see the value in this. At the original Earth Summit in 1992, the financial sector was conspicuous mostly by its absence. Sustainable development was then the domain of largely reluctant governments and an insistent civil society. When business did get involved, this was mostly interpreted as involving the traditional industrial sector, not the providers of capital.

Scroll forward 20 years and, battered by austerity in the industrialised world, governments remain largely reluctant to show leadership. But a shift in the financial sector is now underway, increasingly recognising that long-term returns are inextricably intertwined with sustainable development.

Climate change is one of the sustainability issues where the financial sector's call for policy reform has been most marked. In spite of the financial crisis, investor support for robust low-carbon policies has grown, not declined. At the peak of public concern ahead of the Copenhagen climate summit in 2009, 187 institutions with USD13trn in assets called for policies to hold global warming below 2 degrees Celsius; by the time of the Durban conference in 2011 this had grown to 285 institutions with over USD20trn in assets.

The upshot of this is that we can expect in the near future what are currently 'off balance sheet' costs – whether in terms of carbon emissions or biodiversity loss – to be brought more formally into economic decision making. This will reward the corporations and countries that make resource productivity a key element of long-term strategy.

With a likely deepening of deployment and innovation in the decades thereafter, the 'climate economy' could potentially play an equivalent role to that played by the 'knowledge economy' in the past century.

We define the climate economy as the goods and services that will thrive in the transition to a low carbon economy. It comprises four major areas of opportunity: increasing the share of low carbon energy production such as bio-energy, solar and wind; improving energy efficiency in buildings, industry and transport, as well as energy storage;



There are real limits to the continued expansion of the global economy's ecological footprint and if these are not confronted then economic output and human well-being will become increasingly constrained

adapting to the impacts of climate change, particularly in agriculture, infrastructure and water; and providing climate finance, including environmental markets, debt and equity investment and insurance.

Even with the current modest carbon reduction targets, this economy can grow by 10% over the next decade to reach over 2% of global GDP. It will be growth, but not as we know it.

Ireland is certainly well placed to take advantage, the most obvious example being in the space of renewable energy. We have already begun to take advantage of the conditions along the Atlantic coast in terms of wind power. Last year Ireland set a new wind energy record, with 1,284 megawatts of wind-generated electricity exported to the national transmission system. While still in its infancy as an industry, we have all seen the studies which show the potential that Atlantic wave energy could deliver as well.

Whilst Ireland is already well on its way to meeting its renewable targets through its wind power initiatives, there are greater rewards to be gained from such developments. The first is in the export of excess renewable energy to the UK through the Irish Sea interconnector currently being developed by Eirgrid. With the UK using more than 10 times the electricity consumed in Ireland and with its own renewable targets to meet, there is a clear mutual benefit. The second is less tangible

but potentially far greater, as the availability of secure renewable electricity supplies will likely be a key driver of foreign direct investment over the next decade.

Ireland already has a large number of businesses that operate in these sectors and to some extent is already a leader in the renewables and energy efficiency sectors. The challenge for these companies will be to bring large scale projects through to completion as well as to bring new products and processes through the research and development pipeline.

There are already financial incentives in place to build and operate wind farms, while the regulatory environment for renewable energy projects is, in the main, favourable. However, the companies and individuals involved will need to forge relationships with the financial sector in order to get the support and backing they need to do so. As the financial sector is already convinced of the opportunity presented by the climate economy, all that is needed now is for Irish companies to present themselves as part of that opportunity. If they do, the financial and economic upsides for the country could be substantial. ■



The Plurabelle Paddlers is a dragon boat team based in the Grand Canal Dock in Dublin, Ireland. The team is made up of people who have been diagnosed with breast cancer and also volunteers and it has attracted a number of corporate sponsors including The Aviva Stadium Fund

Doing the right thing

OLIVE KEOGH looks at the practice of corporate social responsibility in Ireland and talks to the companies and organisations benefitting

There is nothing new about corporate social responsibility (CSR). Businesses have always supported employee and community endeavours and shown their altruistic soft side. What has changed is that helping has become broader in scope and more formalised. For large organisations in particular, CSR is often aligned with corporate goals.

There are still organisations that give, expecting no return. But there is also a hard edged view that good CSR helps the bottom line. However, firm evidence that directly links good CSR to stronger performance is thin on the ground. Ironically, it is easier to find companies with exemplary CSR whose performances have wobbled while those with apparently less regard for CSR have prospered.

Good CSR may be desirable but its connection to improved financial performance is tenuous at best. This is because only a comparatively small number of consumers actually care about CSR, according to commentators such as Professor David Vogel of the Haas School of Business at the University of California, Berkeley. Vogel has argued that most goods and services are bought on the basis of price, convenience and quality. "For most firms, most of the time, CSR is largely irrelevant to their financial performance," he says.

What the hard nosed approach to CSR forgets is that businesspeople don't always want financial pay back. The Bill Gates's of this world believe their skills and wealth should be used to make things better for other people.

Cash is still king for projects in need of money to buy tangible things like equipment. But skill sharing is on the increase, as are initiatives that bring skills and cash together to create long term, sustainable solutions to pressing needs such as job creation and upskilling the long term unemployed.

Over the next two years the Arthur Guinness Fund will spend €750,000 supporting a range of social entrepreneurship initiatives in areas such as job creation, expert advice for the unemployed and mental health. Among the projects being supported are Worklink, a volunteer-led employment support network formed to assist jobseekers move into full-time employment and Neuro Hero, a new company developing a suite of smart phone apps to improve the lives of people with speech difficulties. The rolling Fund was created in 2009 as part of the Guinness 250th anniversary and to date has awarded €1.65 million along with business mentoring to 20 projects.

The Irish headquarters of PWC is based in the Dublin docklands and the firm has a busy CSR programme focused on the community living on its doorstep. "We have a very skilled workforce here and we felt it was right to share those skills with the local community in a way that would benefit youth development and education," says Evelyn Kelly, head of corporate responsibility.

PWC staff volunteer their time to help with the initiatives. An ongoing programme involves PWC working with groups of children on projects that will help them develop their team building, leadership, business and presentation skills.

"The kids are terrifically enthusiastic and we have come across a lot of budding Bill Cullens," Kelly says. "An example of a project under this banner was the children deciding they wanted to raise money for Temple Street Children's Hospital. They designed and printed their own Christmas cards (with our support) and went out and sold them at the market in the IFSC and they were brilliant natural sellers! The aim of working with the children is to stretch and stimulate their minds and help them tap into their talents. We also contribute to a number of other initiatives such as Jobcare where once a month staff members help those applying for jobs or courses polish their interview techniques."

Support for local community initiatives was enshrined (for life) in the planning permission for the new Aviva stadium in Ballsbridge. A fund was set up in 2007 at the suggestion of the stadium company and since then over €500,000 has been invested in 150 projects related to communities living within one kilometre of the venue. The fund is administered by the stadium's Project Management Committee supported by an independent assessor who visits all of those making applications to the fund.

"We are very conscious of the fact that Aviva Stadium is located in a residential area. We work quite closely with the local residents' associations and are fully committed to ensuring that the impact of events in the stadium is minimised. At the same time we do recognise that there is an impact," says stadium director, Martin Murphy.

"We felt that this impact should be recognised in some way and ultimately we felt that the best way to do this was to create a fund which could be accessed by the local community in support of community projects in the area. In its relatively short life the fund has attracted a great deal of interest. Perhaps indicative of the times we live in, each year has seen us receive an increased number of applications for funding."

Skills to Succeed is the corporate citizenship programme run internationally by global management consulting company, Accenture. The aim of the programme is to equip 250,000 people around the world with the skills to get a job or build a business by 2015.

In Ireland the company has committed €100,000 to its local Skills to Succeed programme. This will help around 1,350 unemployed and socially disadvantaged individuals improve their skills through programmes in IT, business and general education.

"At Accenture we want to contribute to the regeneration and growth of our communities and the overall economy. Our business strategies therefore include investment in, and collaboration with, community groups that share our skill-building goals. Together we can make a difference in people's lives by equipping them with the skills to get a job or build a business," says Mark Ryan, Accenture



Ireland's managing director.

Specifically Accenture is assisting three not-for-profit organisations: Fastrack to IT, the Network for Teaching Entrepreneurship and the Trinity Access Programmes.

As part of the Fastrack to IT project, 300 people will undergo training in mobile

technology, programming and cloud computing. Around 1,000 young people will participate in the Network for Teaching Entrepreneurship programme where they will study business and entrepreneurship and receive a seed grant to start their own business. One of the key target groups for this programme are young people at risk of dropping out of school early.

The Trinity access programme will involve 50 people aged 23 or over who will get the opportunity to develop their career potential by taking the first step towards a third level qualification. "Supporting these organisations helps bring to life Accenture's commitment to building skills. This funding is specifically geared toward rebuilding our economy, with a focus on IT and business. We believe Accenture's contributions will have a significant impact on the economic well-being of the individuals, their families and communities," says Accenture Ireland's HR director, Susanne Jeffrey.

The environment is a popular focus for CSR initiatives at both global and local, macro and micro levels. A recently launched micro initiative close to home involves office products provider, Viking, which has just announced a competition inviting kids to design a Little Litterbug (which can recycle their classroom's waste and turn it back into something useful for their school) to win their school funding for an eco-garden. The competition is being run in partnership with the European Recycling Platform.

Reaching out to those in need overseas is also a feature of CSR and the Soul of Haiti Foundation was set up in 2007 by a group of Irish

entrepreneurs following a trip there by participants in the Ernst & Young Entrepreneur Of The Year. The charity is chaired by businessman Michael Carey and the entrepreneurs involved believed that by applying their business expertise they could help develop Haitian businesses and generate employment. According to Frank O'Keeffe, who is responsible for the Entrepreneur Of The Year competition, the Haitian experience has cut both ways. "The entrepreneurs have used their knowledge to develop something that is sustainable for the Haitians but they have also benefited and brought their experiences back to their businesses so there has been a big ripple effect," he says. ■

Sometimes all a company needs to get involved in CSR is a push in the right direction. Maureen Forrest, founder of the Cork-based Hope Foundation which rescues street children in India, seized her moment when she found herself seated beside Phil Mumby of banking group HSBC on a flight. By the end of the journey he had agreed to help her organisation and this has since been formalised into a programme whereby employees of HSBC Risk Management in the UK and India will give of their time to fund raise for the charity starting with a 'virtual cycle' from London to Kolkata in India.

"While many of HOPE's benefactors are from outside of Ireland, this is the first time

a global corporation has assisted us in this way," says Forrest. "It is an example of a large organisation applying CSR principles in a very practical and enlightened manner and marks a major milestone for this charity. The fruits of this cooperation will help us sustain our girls' home in Kolkata, ensuring that 70 young girls are safeguarded from life on the streets and provided with a formal education."

Since its formation in 1999 Hope has reached out to almost 25,000 children while its primary healthcare programmes (in partnership with Irish Aid) have reached hundreds of thousands of the area's poorest children and vulnerable families. The charity employs over 500 staff in India.



Analytics offers breakthrough insights into the tsunami of data which organisations are now processing and can help make better business decisions, writes **FRANK DILLON**



Leveraging insights from the wall of data

Organisations are collecting and processing an increasing amount of data, be it about their own business performance or data related to their customers. Making sense of this wall of information - and moreover leveraging it for competitive advantage - is both a challenge and an opportunity.

There is increasing interest therefore in the field of analytics, a methodology that allows organisations to crunch their data, identify key trends and even predict future performance or behaviours with high degrees of accuracy. Analytics can identify risks, spot business opportunities and improve decision-making across a wide variety of business situations.

It's an area of increasing interest and investment, both globally and here in Ireland.

According to John Gilson, Research Director for IDC Ireland, business analytics was one of the top five global IT investment initiatives in 2011 and will soon pass the \$100bn mark in terms of market size. "Greater awareness about the benefits, especially among executives, has driven the market forward and the technology is now finally reaching the mainstream. Among the trends we will see is more business analytics functionality migrating into the database and a rapid expansion in automation to support business analytics technology," he says.

There will be a growing emphasis on industry- and business process-specific applications in the coming years, he adds. "Business analytics is happening here and now in Ireland and across Europe and will continue to be one of the most exciting areas of IT for some time into the future."

For Paul Pierotti at Accenture, the business benefits of analytics are clear. "Analytics provides the intelligence to make more robust business



Accenture's Pierotti:
*There is a growing
recognition of the
role analytics can
play in streamlining
marketing activity.*

decisions. It provides a way of interpreting data that helps predict outcomes more accurately across a multitude of applications and ultimately results in better decision-making."

Accenture has a particular interest in analytics. Last year, the firm opened a dedicated analytics innovation centre in Dublin which, when fully developed, will create 100 jobs. This is one of a network of innovation centres across the whole, each focused on a specific area of analytics. Other centres in the analytics network are located in Bangalore, Chicago, Milan, Mumbai, New Delhi and San Jose, California, with others planned across the world.

The Dublin centre is focusing on the development of sophisticated techniques in compliance-related analytics to address a number of the key business challenges facing Accenture's clients.

As Pierotti explains, over time the Dublin analytics innovation Centre will expand its capabilities to demonstrate, develop and deliver wider cross-functional and cross-industry predictive analytics services. "It will also be a global showcase for Accenture's analytical capabilities for clients from around the world who will visit the Centre and the technologies developed locally will be marketed globally to our clients," he elaborates.

Pierotti says that there is a growing recognition of the role analytics can play in streamlining marketing strategy to achieve better results. For example, his firm has been working with a financial services company recently and has been able to identify what its customers are likely to buy and which are at risk of leaving. "This enables a more tailored customer offering and is significantly increasing revenues", he says, adding, "It's also

worth noting that when we engage in these exercises, it's generally not a one-off piece of work. There are monthly iterations and opportunities for ongoing wins."

The key driver of analytics at the moment is 'big data' according to John Farrelly of SAS, a leading specialist company in the analytics market. The idea isn't new, he notes – analytics has been around for many decades. What is different now, however, is the sheer volume of digital interactions taking place in today's business environment. "Every touchpoint between customers and business leaves a digital footprint and organisations are struggling to make sense of all the data that is being generated as a consequence. Businesses want to know how to drive insights from that data and analytics meets that requirement," he explains.

A second key driver, he says, is the more challenging business environment. Organisations are working harder to grow revenues and decrease costs and anything that helps drive efficiencies is welcome, he points out.

A third area of growth is around risk and compliance. This is particularly relevant for financial institutions. More intelligence around risk leads to more informed decisions around the provision of credit, for example. In the boom years, risk was seen as an opportunity to lend money at higher margins but now, where caution is the byword, analytics can be used to score credit applications more thoroughly.

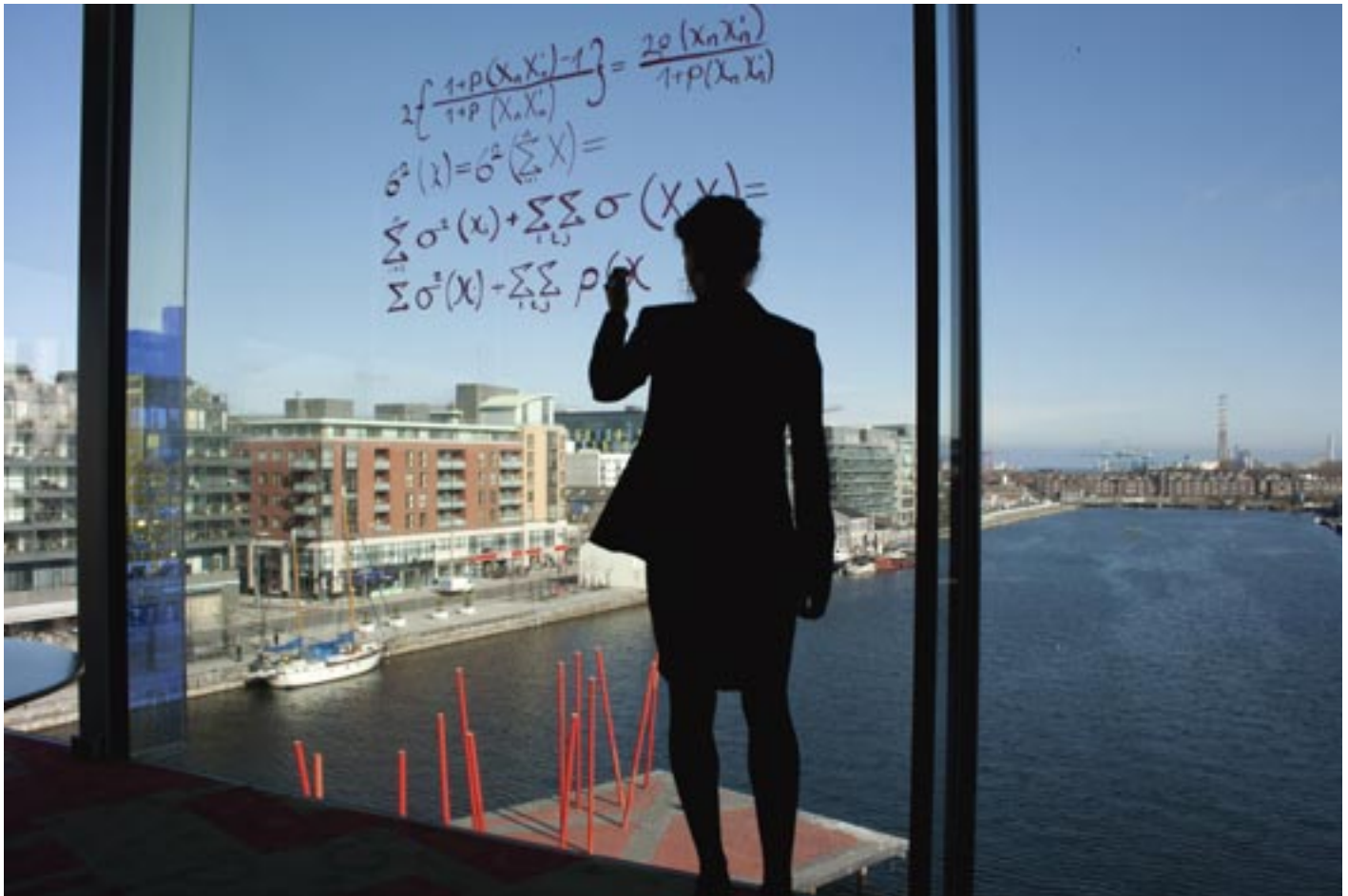
Advances in information technology have also played their part in the wider application of analytics. In the past, limitations in processing power meant that only samples of data were typically analysed. Now, through the use of supercomputer platforms, organisations can analyse all of its data in much shorter timeframes. They can also manipulate data to produce a more granular result.

Analysts now have the capability to create predictive models that score each customer in real time and build corresponding rules based upon business processes and regulations. This has profound implications for organisations such as tax authorities.

Ireland's Revenue Commissioners, for example, are now using predictive analytics to identify fraudulent or erroneous claims for PAYE refunds or tax credits. In conjunction with Accenture, the Revenue Commissioners implemented a real-time risk framework which assesses each claim in real time and routes high risk claims to case workers for further analysis. This has resulted in a significantly more accurate identification of fraudulent or erroneous claims. Less than one year since going live, the real-time risk framework has blocked the payment of almost €2.5m of invalid claims.

Analytics has also moved more into the mainstream and is no longer purely the preserve of analyst. Whereas in the past business managers would have had to request reports from analysts, because of the complexity of the methodology employed to mine data, smarter, more accessible user interfaces mean that non-specialists can access and represents the data in the forms that they want and find most useful.

The scope to extend the use of Analytics is immense and the increasing digitalisation of commerce and social interactions creates endless possibilities. According to Pierotti, banks and telecoms are in a particularly strong position in this area, owing to the vast amount of data that they possess about their customers. "Given imminent developments in mobile



commerce, where your phone will be vehicle for payment, there will be a lot more data about customer behaviours and patterns and a lot more insight to be driven by analytics," he says.

The possibilities for web-and mobile transaction based analytics don't stop there either. Increasingly, planning authorities are now able to use

information more accurately to plan smarter cities, while there are also an increasing number of applications in healthcare diagnostics.

Gaining deeper insights into human behavior can yield not alone greater profits for organisations but it can also play a part in creating a better society. ■

Case study:

How analytics transformed Tesco

In his 14 years as CEO, Sir Terry Leahy transformed Tesco from being the poor relative of British supermarkets to being the dominant player in the market. Leahy largely attributes the reason for this success to the power of analytics. The retailer was a pioneer in its use and it remains central to its marketing strategy today.

Tesco had received much criticism about its loyalty programme since its launch in 1995. The view in the industry was that such programmes were merely a cost on a business since they would reduce margin as customers collected points to redeem against goods or money off their shopping bills. Rival David Sainsbury infamously dismissed it as 'no better than electronic Green Shield stamps'. Analytics changed this, however.

Using a firm called Dunnhumby, Tesco analysed five billion transactions from its customers from data collected via its Clubcard. Analysis of the results generated deep insights into customer behaviour patterns which the retailer acted swiftly upon.

Within only a few months, research showed that customers spent 28% more at Tesco while cutting their spending at Sainsbury's by 16%. Tesco edged ahead of its rival and over the next few years its lead stretched to the point where it had 31% market share to Sainsbury's 16%. Leahy was so impressed with the results that he bought Dunnhumby, and analytics is used to provide ever richer and more sophisticated portraits of the Tesco customer to this day.

To create sustainable businesses we will need role models for young entrepreneurs. Here is one veteran who has made Ireland his home and shown the way to grow value. But now, as **BARRE FITZPATRICK** found out, he is facing the biggest challenge of his life.



*Raomal
Perera,*

**Entrepreneur
and Survivor**

Harvard's Clayton Christensen wrote a book entitled *How Will You Measure Your Life?* after his recent battle with cancer. In it he says that he asks his students three questions:

1. How can you be sure that you will be happy in your career?
2. How can you be sure that your relationships will become an enduring source of happiness?
3. How can you stay out of jail?

Raomal Perera, serial entrepreneur, answers these questions with confidence, as a family man with a series of business start-ups to his credit. He exudes happiness as he speaks about his business career and family, but a recent diagnosis of Chronic Myeloid Leukemia faced him with 'the biggest battle of all'.

Raomal was born in Colombo, Sri Lanka in 1957. He arrived in Ireland in 1983, having studied electrical engineering at University College, Swansea. He began by working for US multinationals who were setting up R&D facilities here. His first start-up in 1991, ISOCOR (now Critical Path), was an early solution to managing company email traffic. At its peak, it employed 150 people in Dublin, and still has a presence of 80 people, 20 years later. He then founded Network 365 in 1999. A pioneer in mobile commerce before the infrastructure had fully developed, this was nevertheless it was a success, and was listed in *Time* magazine in 2002 as one of Europe's Hottest Tech Firms. Network 365 acquired US company iPin in 2003, and renamed it Valista. Raomal exited Valista in 2008, and the company was acquired by Aepona a year later.

Now Raomal is Professor of Entrepreneurship at Insead in Paris, and has a string of successful businesses to his credit. These days he is paying more attention to his role as mentor: 'I try to be the mentor I wish I had when I was a young entrepreneur.'

Research shows that small businesses create far more employment than large ones, Raomal Perera explained to me as we spoke near the site of his first venture in Ireland. 'We had 14 staff working in those 2 houses in Dun Laoghaire. It was exciting! The co-founder and I would get away from things by walking down the pier... he swore it was the best way to think things through... and he was right.'

The burst of entrepreneurial activity which spanned those 17 years resulted in 3 business ventures. 'Of course there were mistakes as well along the way', he admits, 'and that is an inevitable part of the entrepreneur's life.' Then, in 2009, he took a new direction, turning his attention towards philanthropy and social enterprise with the establishment of ThousandSeeds (www.thousandseeds.com) with Mary Cronin. A support and development service for entrepreneurs, ThousandSeeds have established an international footprint, working with entrepreneurs globally, from Asia through to North America. They lecture on entrepreneurship at a number of institutions including INSEAD, UCD and DCU, as well as working with a number of entrepreneurial events such as the 'Cartier Women's Initiative' in Paris, the Lean Start-up movement with the UCD/TCD Innovation Academy, and Startup Bootcamp. He is enthusiastic about developing entrepreneurs. 'Nothing is more important than vision,'

he says. 'I like to establish a climate of openness and integrity. One has to acknowledge failure as well as success: and I have had both. But I expect the students to be committed entrepreneurs. While I am good with the ones who are passionate, I am not so good with the ones who are lukewarm and disengaged.'

One thing that he clearly remembers from his time as an entrepreneur was the loneliness of that role. After all, he was a pioneer in two successive waves of innovation: web-enabled communication and mobile payment systems. He has shown great determination to achieve his goals.

Values matter to him. 'If I had not been an engineer, I think I would have been a priest or a teacher', he tells me. Coming from a Christian minority in Sri Lanka, his father was stripped of his land by the government as they divided the whole island into 50-acre lots. 'My father was a paediatrician, and he placed great emphasis on education. He said to us that education was the greatest gift he could give us, as no one can take it away from you – which was proved by what happened to him. He believed that education is freedom – for example freedom to work anywhere in the world, as I have. But he also believed in respect for people as fundamental to everything.'

Of course there were mistakes as well along the way and that is an inevitable part of the entrepreneur's life.

He tells a story about a Chinese offer to buy technology he had developed which could highlight the content of text messages. He hesitated before agreeing to close the deal. He had to think carefully about the possible applications of this technology for censorship purposes, and eventually turned them down.

He believes in what he calls the law of attraction: once you nail your colours to the mast, everything begins to work in your favour. 'That is the only way to explain how I got to the World Economic Forum in Davos with Network 365, which was just a small Irish start-up.'

But his courage was put to the test with his recent diagnosis. He underwent a bone marrow transplant in December 2011 and it was his period of isolation in hospital that he compares to Christensen's third question about staying out of jail. It was a low point in his life, and the experience clearly shook him to the core. Now he describes it as 'a great learning experience'. The blog he began there (Raomal.com) as a way to communicate with his four children 'ended up as a great source of positive energy for me.'

His energy restored, he is looking to the future: 'I think I have crossed this bridge as well and so I am getting ready for my next big thing! Maybe another software start-up.' ■

The distilled wisdom of John Teeling

Colourful, controversial and far from predictable, John Teeling has lost none of his appetite for business or making headlines

The office block at number 162 Clontarf Rd is a nondescript building with a positively 1970s feel inside. The only hint of prosperity can be found in the carpark, where a Jaguar takes pride of place amongst a small group of luxury marques. This musty environment is the lair of John Teeling and home to his 162 Group – the nerve centre of a host of publicly traded companies hunting for oil, gas and precious metals around the world

Teeling is one of Ireland's most colourful business characters and has packed a lot into a career spanning over four decades. In the 1980s, he earned a reputation for being an asset stripper, taking control of a number of then well-known listed companies (although it's a description he doesn't accept). He has a long involvement in mining and exploration ventures, creating and at times losing fortunes along the way. There have been a breathtaking 30-odd ventures, in fact, since he left his academic post in UCD in the late 1960s.

Teeling's current interests include: Petrel Resources, an oil and gas company focusing on Iraq and Ghana that holds interests in a \$200 million oil field development contract and an exploration block in the Western Desert of Iraq; Connemara Mining, an Irish zinc exploration company which operates a joint venture with Teck Cominco and which has had a significant zinc discovery in Limerick; Botswana Diamonds plc, which has advanced stage diamonds prospects in Botswana and early stage interests in Zimbabwe and Cameroon; and Clontarf Energy plc, with Operations in Peru, Ghana and Bolivia.

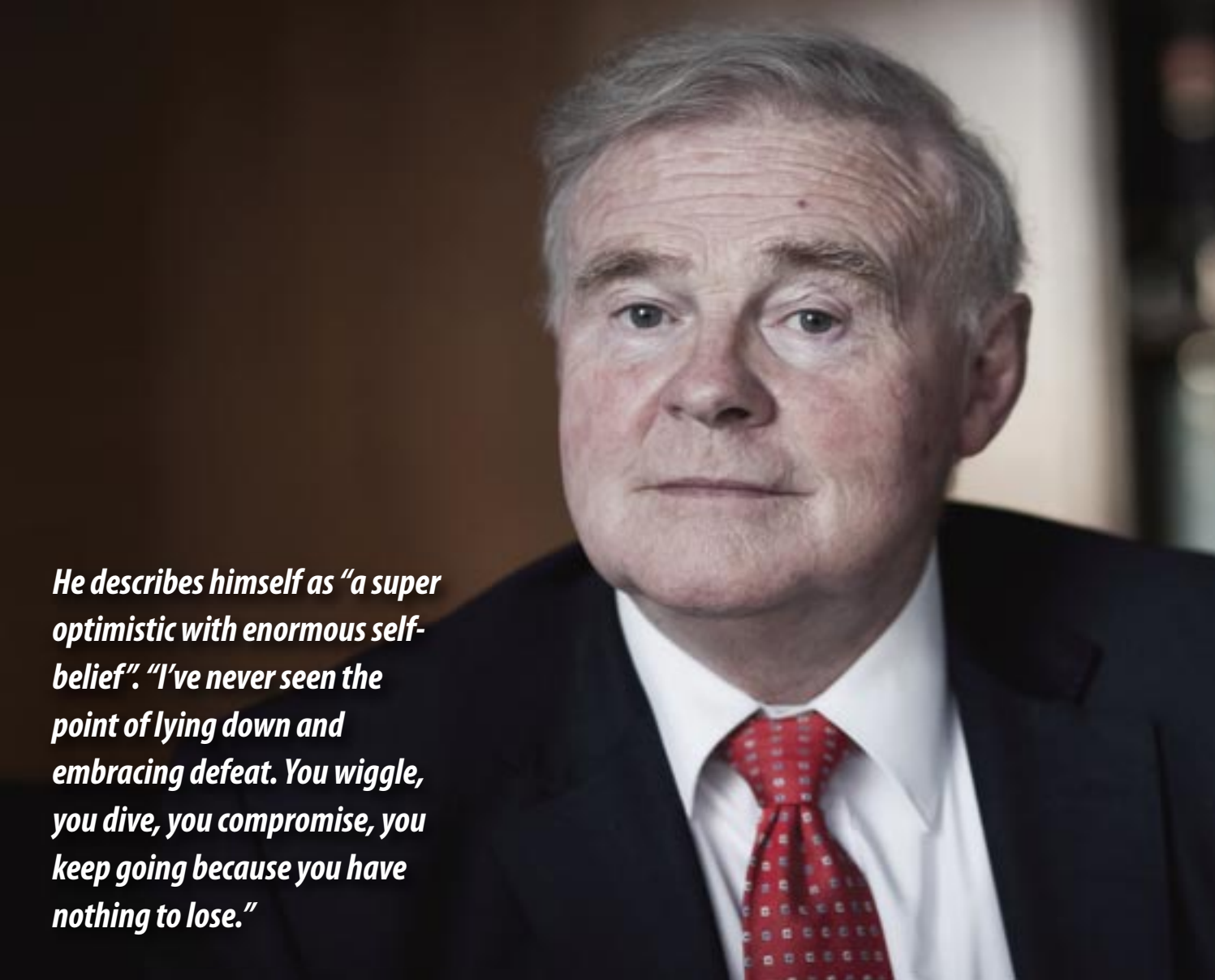
Perhaps his most enduring achievement is the revival of the Cooley whiskey distillery – sold to the giant US drinks company Beam late last year for \$90 million.

Of late, Teeling has been popping up on TV programmes and guest newspaper columns, commenting on the future of the euro. His analysis is bleak and he reveals this morning that he has been making arrangements to move his cash assets into dollars in a US bank. That's more of a worst case scenario precaution than anything, he qualifies, but the doomsday contingency plan is interesting in itself.

Teeling is a risk-taker and he believes that managing the risk is where the opportunity lies. Of his exploration interests, he says twinkle-eyed, "I'm in the business of hope, romance and mystery." The mystery and the romance, he explains, often die when something is actually discovered, a modest find perhaps that provides a profitable but not spectacular exit opportunity. It is the lure of something great, something magical, which really attracts investors.

There's been a merry band of those over the years – a core group numbering over 600, he reckons, and Teeling maintains that he has made money for those who have stuck by him over the longer term. The initial investors in his exploration companies such as Avoca and Kenmare, for example, made a killing, he says. "It was a case in the old days that if I could get you into a room, I'd get money off you, we'd get into the ground, I'd get you a stock market listing and you'd have an exit within





He describes himself as “a super optimistic with enormous self-belief”. “I’ve never seen the point of lying down and embracing defeat. You wiggle, you dive, you compromise, you keep going because you have nothing to lose.”

three years”. A lot of them invested in Cooley too – a generation of older investors who were in from the start. “We always had to have our AGMs on the ground floor,” he adds with a chuckle.

Many of them have lost money on his ventures at times too. Seasoned investors accept that this is part of the game. When people tell him he’s involved in a series of high risk exploration ventures, he tells them not to be understating it – that in fact he is involved “in extremely high risk ventures where the chances of finding things are very small.” Mining for diamonds in Africa is a case in point, where the odds are remote. “We use our expertise to narrow those odds, of course, but there’s still a very high risk of failure,” he notes.

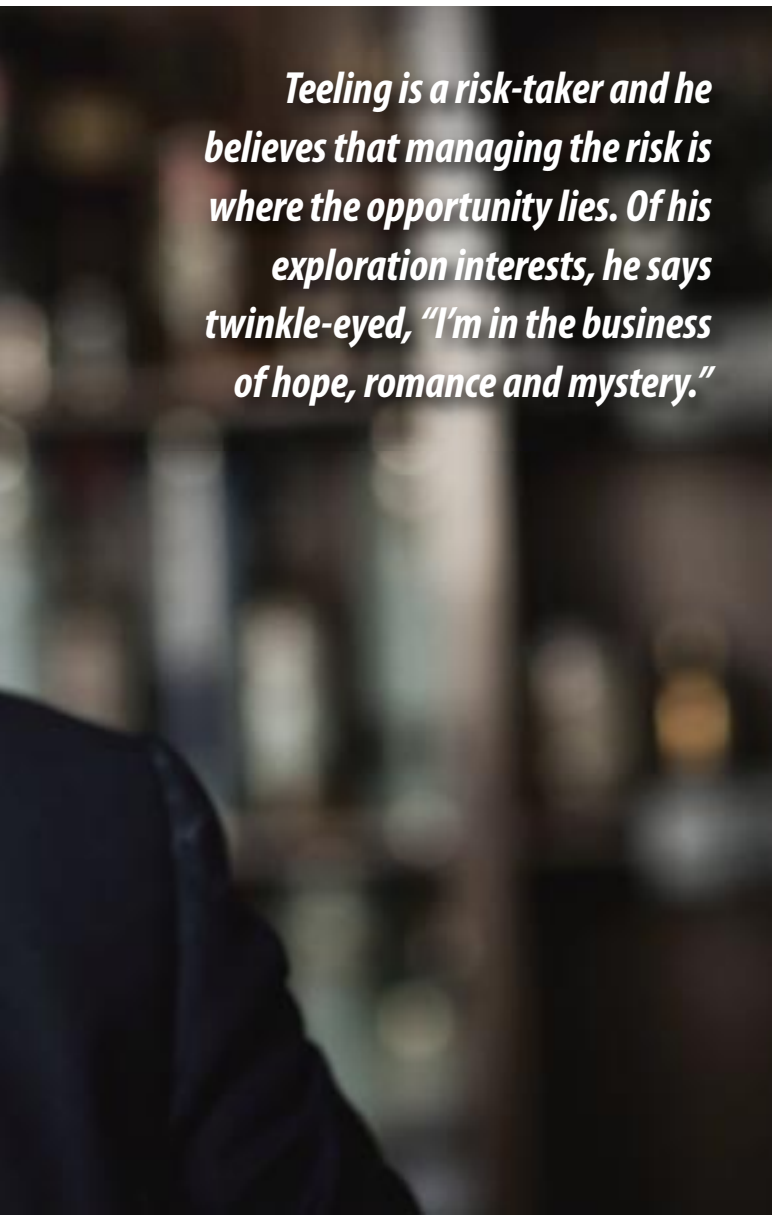
What annoys him are the inexperienced investors who pick up tips in the pub. “If it works I’m a great guy, but if it doesn’t, I’m a chancer. I’ve had guy’s wives hunting me down and bending my ear because I’ve lost their savings. Widows and orphans are not the type of investors I want.”

Of late, the mining and exploration stocks have been poor performers,

to put it mildly, but Teeling believes that their day will come again. “The current resource recession is the worst in 40 years. It will recover – just don’t ask me when,” he says.

Teeling oozes confidence and energy and has an unflappable self-belief. The Cooley whiskey experience alone is one that would have tested the nerve of most business executives to the limit, but he has also had to flee Africa at speed, facing the threat of arrest and prison, and has had to make an equally hasty retreat from an Irish farmer who threatened to put a knife in his chest if he didn’t get off his land – the latter being the only occasion when he feared for his personal safety, as he told *The Irish Times* last year.

His involvement with mining and exploration came about purely through circumstance. Teeling was a business academic in UCD and, he says, the only person in the country in the time who could do discounted cash-flow analysis, so he was asked to take on a consultancy assignment for a company called Northgate who had the Tina Mine. What was to have



Teeling is a risk-taker and he believes that managing the risk is where the opportunity lies. Of his exploration interests, he says twinkle-eyed, "I'm in the business of hope, romance and mystery."

been a short-term assignment led to a 17 year involvement with the firm. Moreover, it led to some deep insights into the mining game, and his academic career soon ended. "It could have been any sector; but in any case, I gained three things: the fundamentals of mining, access to the right people and the ability to take a company to market," he recalls.

Opportunity also played its part in his involvement in whiskey. Though it was 1986 before Teeling became involved in Cooley, his interest in Irish whiskey dates back to his UCD days when he wrote an academic case study on the Irish whiskey market. He was struck, he says by the shocking demise of the Irish whiskey market. In 1830, we had 60% of the world market for whiskey. It was a huge business with 26 vibrant and highly profitable distilleries operating towards the end of the 19th century. By the 1970s our share of the world market had declined to a mere 2%, with Irish whiskey losing out to cheaper blended Scotch whiskey which came to dominate the market.

Teeling says he had originally hatched an audacious plan to take over

Irish Distillers in the mid-1980s but when this failed to materialise, his thoughts turned to doing his own thing and he acquired the Cooley distillery in Co Louth. At the time it was distilling alcohol but had long ceased making whiskey. Teeling and long-time associate Donal Kinsella acquired the facility for IR£106,000 and assembled a group of six investors. They bought up whatever whiskey equipment they could and acquired another disused distillery in Kilbeggan, Co Westmeath, drafting a technical expert, David Hynes, to build the new operation while Teeling put together a BES funding scheme.

It was 1990 before the first batch of whiskey was produced and released into the market as a Tyrconnell single malt in 1994. Despite distilling award-winning whiskey and building up a strong own label business, in its early years the Cooley operation often survived on a wing and a prayer. Its bank called in loans on three occasions in the early to mid-1990s. Teeling recalls one hairy weekend when he had to come home from Africa and raise IR£1.5m in 48 hours to satisfy the bank, which involved borrowing IR£500,000 from a business associate.

A proposed takeover of Cooley by Irish Distillers in 1994 would have relieved many headaches, but it was blocked by The Competition Authority – a decision Teeling acknowledges now was the right one.

Despite having an excess stock of whiskey – a 56 year inventory in fact – Teeling decided to ramp up production in the late 1990s. "I'd seen what was happening in the United States. Young men were starting to drink Bourbon and what young US men do tends to set trends around the world. Soon it was Irish whiskey too. Jameson sales took off. Then young women started to drink whiskey. A rising tide lifts all boats and I could see where the market was going," he recalls.

While Cooley was developing nicely on the back of this growing market in recent years, a sell-out to a larger player was always on the cards and Teeling bowed to the inevitable with the sale of the firm to the giant US drinks company Beam late last year. He has mixed feelings about the sale but acknowledges that it would have been difficult to find the finance to take the firm to the next level. Around €50 million would have been required to cater for the expansion between 2012-2020, he says, but he is happy at least that Beam will help the brand realise its huge potential.

"They have enormous muscle in the market – power that would frighten you," he says, citing an example of one order in one casino in Las Vegas for 500 cases of whiskey in March. In 2011, by contrast, Cooley sold just 22 cases in the whole state of Nevada.

His son Jack, who had been managing director of the firm, will retain a family interest in whiskey through a new venture and plans to have his own brand on the market by 2016. Part of the deal with Beam involved providing Jack with a supply of whiskey for this venture, Teeling explains.

Teeling senior has no personal interest in whiskey. His favourite tipple is tea, of which he drinks copious amounts every day and he favours soft drinks over alcohol.

He describes himself as 'a super optimistic with enormous self-belief'. "I've never seen the point of lying down and embracing defeat. You wiggle, you dive, you compromise, you keep going because you have nothing to lose."

Having lost none of his edge as he passes official retirement age, you get the feeling that the John Teeling story has a few more twists and turns to play out yet. ■



Forestry

a growing success story

Despite the recession and the serious downturn in the construction industry, our forestry and timber sector, like agriculture, has become a vibrant and successful industry writes DONAL WHELAN

While the economic importance of Ireland's forestry and timber industry may be relatively unknown outside the sector itself, the total estimated economic output (direct and indirect) of the industry to the Irish economy was €2.2 billion in 2010 which represents c. 1.3% of our GDP. The forestry sector output alone was estimated to be c. €673 million. These figures are set to grow significantly in the coming years.

The forestry and timber sector includes growing the forests, harvesting and haulage and processing the various wood products. Almost 11% of Ireland's land area is currently under forestry, amounting to 750,000 hectares which support a vibrant, export-oriented forest products sector. Approximately 80% of the output from our panel products sector is exported along with over 80% of our sawn timber production. Ireland is the largest exporter of MDF to the UK marketplace and its share of the market grew from 33% in 2007 to 44% in 2010.

With our climate and suitable soils we can grow many tree species considerably faster than our European neighbours, giving us a strong comparative advantage in the growing of wood fibre. From a very low private ownership base in the 1970's, it will be surprising to many that 47%

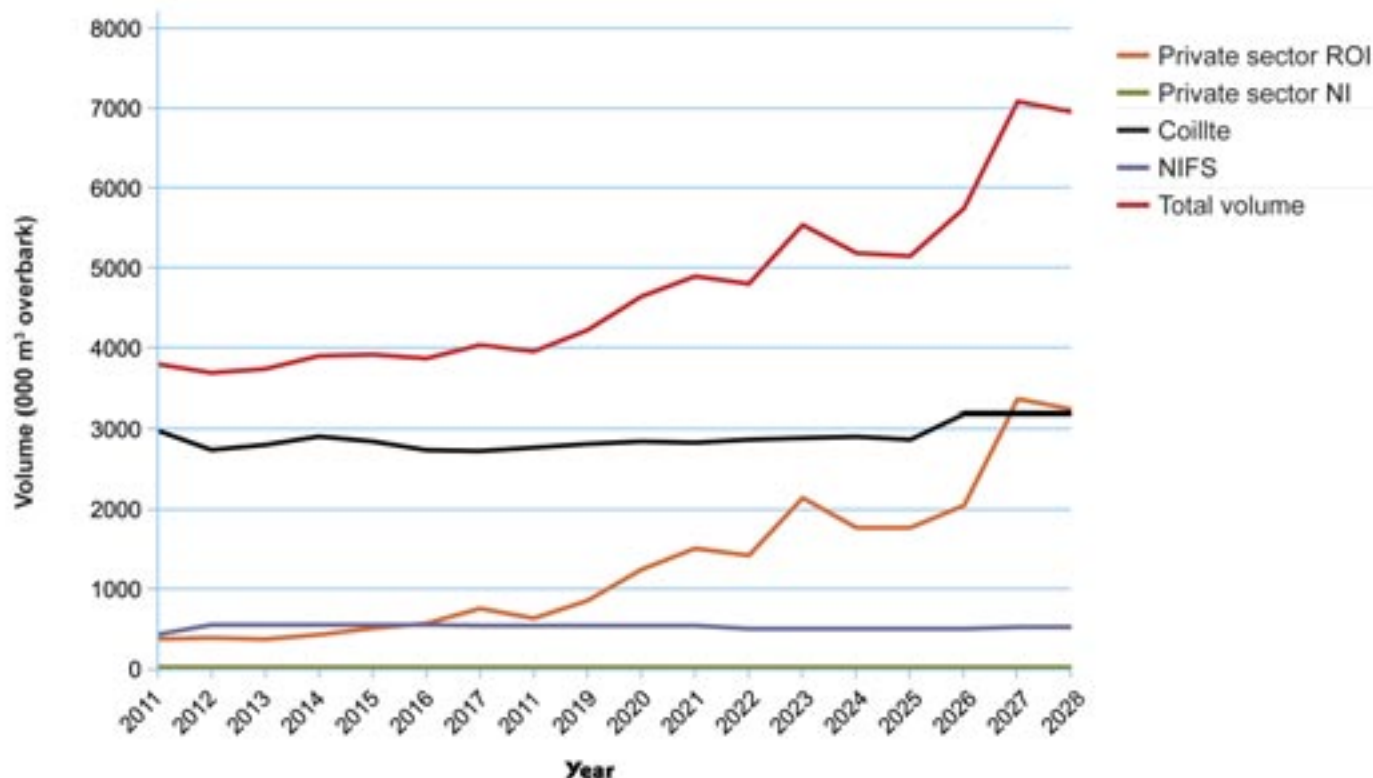


Table 1: Forecast of net realisable volume production for Ireland and N. Ireland, 2011-2028.

[Source: Phillips, H 2011. All Ireland Roundwood Production Forecast 2011 – 2028, COFORD, Department of Agriculture, Food and the Marine]

of our country's forests are now privately owned with the remainder in public ownership, mainly vested in Coillte. Most of the private forests were planted over the past 20 years, consequently many are now approaching thinning stage and the output from these woodlands is set to increase significantly in the coming years.

This roundwood volume (timber in trees) to come to market is forecast to increase from 3.7 million cubic metres (m³) this year to 6.95 million m³ in 2028. In short, the volumes of roundwood available within the Republic of Ireland are set to double over this forecast period. As can be seen from the table below almost all of this increase in supply of roundwood is forecast to come from the Private sector. This will bring a new dynamic to the marketplace.

This growth in roundwood supply will result in increased economic output from the sector with growth in production, employment, exports and related services. Of particular interest is the roundwood demand forecast which shows that demand is set to grow from 4.295 million m³ in 2011 to over 6 million m³ by 2020. Table 2, below, summarises this demand forecast.

Demand type	2011	2020
	000 m3 overbark (OB)	
Conventional demand	3,456	3,830
Demand for forest-based biomass for energy production	1,589	3,084
Residues from conventional demand which are used to meet energy demand	-750	-876
TOTAL	4,295	6,038

Table 2: Estimated roundwood demand on the island of Ireland in 2011 and 2020

Source: Roundwood demand on the island of Ireland (2011-2020) COFORD

The above supply and demand forecast tables highlight the future demand imbalance in Ireland. In the UK, our largest market for wood products, it is predicted that the total demand for wood fibre will potentially reach over double the UK wood fibre supply by 2015. This is obviously good news for anyone growing timber and represents

significant opportunities in the sector. This may help explain recent investment returns from forestry in the UK. The IPD UK Forestry Index which is produced by Investment Property Database Ltd. shows a forestry investment return in the UK of 20% for 2010. (There is no such index for Ireland). The IPD UK Forestry Index is calculated from a sample of private sector coniferous plantations of predominantly Sitka spruce in Britain. The percentage annualised total returns over 3, 5 and 10 years to 2010 which are given as 12.6%, 17.7% and 10.4% respectively. (see www.ipd.com).

These returns have far outstripped returns from most other assets in recent years. It must be stressed that forestry is a specialised asset class with returns dependent on a wide variety of factors such as the physical growth rate of the forest, timber prices, tax treatment and a myriad of other factors. Any potential investor is well advised to get independent advice from a forestry professional. An excellent source of forestry information is the 2012 Forestry & Timber Yearbook which includes comprehensive industry statistics and is an acknowledged reference source for our forestry sector (www.forestryyearbook.ie).



Forestry's contribution to the wider economy is significant in many other respects. Forests absorb and fix carbon and help abate climate change. The total carbon reservoir or store in Irish forests currently exceeds one billion tonnes of carbon dioxide, most of which is in the soil. The National Council for Forest Research and Development (COFORD) estimate that Irish forests absorb 4 million tonnes of carbon dioxide annually or c. 6% of our total greenhouse gas emissions. This is the most important carbon sink we have. In terms of complying with our Kyoto targets it represents an annual saving to the exchequer of €44 million.

Forests also provide significant environmental benefits, enhance biodiversity and are Ireland's largest outdoor area for recreational activities. Forest recreation has been valued at €97 million which in turn generates €268 million in economic activity for communities in rural areas. Annual visitor numbers to Irish forests are estimated to be in excess of 18 million.

After wind energy, wood fuels are the largest contributor to renewable energy generation. Wood fuel use in recent years has increased considerably with the cofiring at the Bord na Móna's Edenderry power plant expanding to commercial scale. Use of wood chip in commercial applications also increased. The largest single use of wood for energy is within the forest products sector itself.

Projections to 2020 indicate that to meet the Government renewable energy targets a biomass supply of around 4 million green tonnes of wood per annum will be required. It is unlikely that the forest sector could supply more than half of this volume - but it is a target that highlights the need for afforestation to get back to a level of at least 15,000 ha per year. Over the past 5 years our planting levels have averaged only c. 7000 hectares per annum despite recent research which shows that there is sufficient potential supply of suitable land for forestry to achieve a 15,000 hectare per annum planting programme up to 2045. There is also scope to considerably expand supply from final harvesting residues and more intensive thinning of both publicly and privately owned forests.

On the world stage Irish forestry may be a small player. However, with the development of the sector at home we are just beginning to make inroads internationally. Recently the European Space Agency decided to support a pioneering 3D forestry data initiative led by Treemetrics, an Irish forestry technology company. The company is developing a real-time forest intelligence (RTFI) service, with the goal of bringing live 3D forestry data to mobile devices and machinery across the globe. Another Irish company, Imperative Energy, is a provider of biomass heat and power solutions to the industrial and commercial sectors and is now operating in the UK and recently announced significant expansion in the USA. In 2010, the Irish timber products firm, Glennon Brothers, who now have operations in the UK, were named the Ernst & Young Industry Entrepreneur of the Year.

From a very low private ownership base in the 1970's, it will be surprising to many that 47% of our country's forests are now privately owned with the remainder in public ownership, mainly vested in Coillte.

Forests are central to our future green economy. They supply our wood and timber industry, provide employment, biodiversity and recreation, and also fix carbon and are an important renewable energy resource. Given the significant imbalance in our forecast future wood demand over supply we need to manage our existing forest resource to optimise its output and also to expand forest cover to maintain and grow these benefits. The forestry and timber sector is now emerging as an important national economic resource. With the Report on the Review of State Assets and Liabilities recommending that the State should initiate the disposal of Coillte's forest and non-forest assets (but not its forest lands), there is likely to be significant increased activity and developments in the sector. ■

• *Donal Whelan is Technical Director of the Irish Timber Growers Association. He was appointed to the National Forestry Policy Review Group and is also a member of the National Council for Forest Research & Development (COFORD) which is responsible for national forest research funding, knowledge transfer and industry development. Further information on the sector and background information used in compiling this article can be found on www.forestry.ie*

Experimenting with management techniques sounds dangerous. Could something explode? Or, perhaps worse, implode? **JULES GODDARD** assures us that trying new methods of management is the only way for businesses to thrive in the future.

Experiments in management



People's lives are defined by a rather small number of key events. Most careers, for example, have long periods of ennui, interrupted by sporadic moments of crisis or surprise or disruption. Typically, the events that shape us happen to us as passive recipients; too rarely do we have a hand in conceiving and designing these events. For much of our working lives, most of us follow the beaten path and put our trust in the wisdom of others; only a small minority give themselves permission to blaze new trails.

Many feel that the overriding sensation at work is of being unduly and unfairly constrained and insufficiently trusted to be oneself and that, furthermore, fulfilment at work comes from investing energy and ingenuity in designing one's own life chances and taking greater responsibility for one's own happiness and development. Most organisations make it hard for their employees to live up to these conditions. This may explain why so many organisations themselves also feel 'stuck' — described by Jeffrey Pfeffer as 'the knowing-doing gap', the hesitancy that prevents people in organisations from simply doing what they know needs to be done.

Organisational paralysis

Acute observers of business life are increasingly coming to the view that it is the social technology of management (as it is interpreted by the majority of companies today) that is most to blame for paralysing organisations and turning gifted and resourceful individuals into what have been called 'hopeless, hapless and helpless managers'. The

performance bottleneck in most businesses is therefore managerial rather than strategic.

Radical performance improvement depends much more on changing the organisational context of work than on inventing next year's competitive strategy. If the last 20 years were characterised by strategic innovation and radically new business models, then the next 20 years will be marked by management innovation and radically different organisational models.

A shift of focus needs to be made from the technical content of the job to the organisational context of the work. W. Edwards Deming, perhaps the most influential management theorist of the 20th century, built his reputation by demonstrating, among other things, that when things go wrong in the artificial, designed world, it is invariably the system that is to blame and not the individual operator. For example, pilot error is almost always an inadequate explanation of a plane crash. From this principle, he drew the lesson that the organisational context in which work is done is a much more significant determinant of corporate performance than the innate capabilities of those doing the work. Indeed, he was accustomed to saying that performance is '90 per cent the system and only 10 per cent the individual'. Highly successful companies create a working environment in which groups of lightly managed people freely and naturally combine their individual talents to give of their collective best.

Deming was particularly critical of certain popular managerial practices that he felt were detrimental to individual and group performance. These included widespread behaviours such as setting targets, designing

financial incentives, exhorting workers with slogans and selecting suppliers on the basis of price.

In the same spirit as Deming's research, Pfeffer has observed that no one has ever produced convincing evidence that the best companies are those with the best people. On the contrary, ordinary people in extraordinary organisations invariably outperform extraordinary people in ordinary organisations. Thus, the notion that companies are competing in a war for talent is based on a misconception. Success is less a matter of recruiting the best people and more a matter of creating a culture that brings out the best in all people. In other words, we exaggerate the importance of talent and understate the importance of the working environment.

The design challenge

If context is the main driver of performance, then the design of context becomes, by definition, the central task of management; and the design challenge is to understand the dimensions of the problem and the principles for positioning the organisation in this dimensional space.

All organisations face a limited number of universal dilemmas or trade-offs in the way that they are designed to achieve their goals. These choices relate to the ways in which knowledge is managed, power is exercised and human energy is released.

- Knowledge is the wellspring of organisational competence. Management has the responsibility for accumulating and applying the knowledge assets of the business, which include the know-how and expertise of the employees as well as the more codified forms of intellectual capital owned by the company.
- Power is the medium of management. It is the exercise of authority. It is where the buck stops. Management has the ultimate responsibility for the strategies that get formulated and for the decisions that get made in their pursuit.
- Energy is the vital ingredient of organisational health and resilience. Management has the responsibility for motivating and coordinating the efforts and enthusiasms of everyone working for the company.

If, by analogy, knowledge represents the mind of the firm, then power is its limbs and energy is its heart.

Every organisation, of necessity, addresses the knotty problems of knowledge, power and energy; but the ways in which knowledge, power and energy are managed vary. Different managers answer these perennial questions in different ways, and different organisations are characterised by different solutions to these questions.

The choice spectrum

I believe that just six dimensions are needed to capture the essence of an organisational culture or design. Two are related to knowledge, two to power and two to energy. Any company's organisational culture can therefore be represented as a position on six spectra of opposing principles.

Knowledge

Individual Collective

Is knowledge found in the distributed expertise of specialists or in the

synthesized wisdom of the crowd?

Bureaucratic Adhocratic

Is know-how codified in standard operating procedures or applied as the unfolding situation demands?

Power

Hierarchical Democratic

Do managers get their power from the office they hold or from the mandate of the people they represent?

Strategic Opportunistic

Are decisions made in line with a pre-ordained plan or in response to an unpredictable reality?

Energy

Extrinsic Intrinsic

Are employees motivated by carrots and sticks or by the joys and sorrows of the work itself?

Instrumental Ethical

Are employees treated as means to an end (human resources) or as ends in themselves (resourceful humans)?

In surveying this six-dimensional design landscape, it is important to appreciate that there are no right or wrong locations any more than there are right or wrong generic strategies. As with strategy, the object of the exercise is to invent something that is uniquely appropriate to the prevailing situation. This means creating an organisational culture that differentiates the company from its competitors, because corporate success derives from what is unique about the business.

We can distinguish between external and internal differentiation. For a company to be externally differentiated, its market offering needs to be unique; to be internally differentiated, its structures and systems need to be unique. Clearly, there is a symbiotic relationship between the two. It is unlikely, for example, that a standard operating environment will generate a distinctive competitive strategy. Ordinary organisations do not, as a rule, produce extraordinary outputs.

Although the design space is value neutral, most companies in the world have positioned themselves, usually deliberately and unashamedly, at the left end of each spectrum of options. The standard model of management, ever since it was invented in the late 19th century, has adhered strongly to a faith in hierarchy and bureaucracy, command-and-control, risk avoidance and the adoption of standard, tried-and-tested practices.

The courage to experiment

Richard Rumelt has shown that there is an intriguing paradox at the heart of management today. When he asked a sample of chief executives of US corporations to describe the qualities of the business leaders whom they admired more than any others, the answers he got all dwelt on 'first-mover' attributes such as insight, contrarian thinking, bravery and decisive action. But when he asked them to describe the moves they themselves were making in their own companies, the answers were the old perennials of 3600 feedback, cost containment, outsourcing, shared services, customer relations management, six sigma and process re-engineering. Rumelt

described these practices as 'doorknob polishing', in contrast to what he saw as the 'predatory leaps' courageously made by the leaders most admired.

What kind of company makes the predatory leap into new organisational designs and different managerial practices? It is an unusual form of courage for a company to position itself purposefully in an empty part of the decision space far away from its competitors. Yet this must be one of most of the most powerful ways by which a company can endow itself with a sufficiently scarce and critical resource to act as the foundation for its most durable competitive advantage. A unique operating culture enables the firm to attract a certain kind of person and to engender a certain kind of behaviour. In contrast, where there is a strong herd instinct (driven by convergence upon what is deemed to be best practice, the latest fashion, the safest bet or the industry norm), what is likely to result is a me-too organisation of below-par performance.

If the decision space is indeed value-neutral and if, as we suggest, the vast majority of companies are concentrated in a rather small part of this space, then the opportunities for competitive advantage through management innovation are both plentiful and untapped. We can also surmise that management teams, by neglecting these opportunities, are not truly fulfilling their remit. Or is it unreasonable to criticise managers for not changing the management system of which they are both the product and the beneficiary?

If managers are to take responsibility for their organisational context, then they will need to consider the entire design space with an open mind and an entrepreneurial curiosity, redressing the traditional bias towards the left-hand side. Indeed, there are an increasing number of businesses taking up a position on the right or at least moving their centre of gravity to the right.

Many observers of the management scene and many writers on organisational behaviour are witnessing this shift of view. They are also actively promoting the virtues of the right-hand side and constructing arguments for 'legitimising' this previously neglected space.

Proposed experiments

For managers to add value in a 'post-managerial' world, they will need to consider redressing the balance they have traditionally struck on the six spectra of organisational design. This will mean exploring new territory, being more adventurous and adopting a more experimental mindset. Here are six examples of the kind of experiments that could serve to radically open up the territory of management, each corresponding to one of the six spectra above.

Experiment #1: Making visible

Underlying principle? Relying less on specialist expertise and more on crowd wisdom

Shift of emphasis? From the individual to the collective

Instructions and rationale? Use the new technologies to enable managers to see each other's actions and the consequences of these actions. This would have the effect of dismantling organisational barriers and boundaries, enriching the workplace, stimulating greater

collective learning and investing in social capital. Visibility is already a fundamental ingredient of lean production (such as making inventory — and other costs — visible to everybody). The ability of managers to see the traces of everyone's behaviour and the successes and failures of everyone's actions, not just their own, would stimulate change as managers sought to learn from a much broader pool of experience. The greatest stimulus to learning is seeing success accrue to behaviours different from one's own.

A related benefit from this experiment would be the discovery of everyone's true talents. Companies do a poor job of finding what their employees do best. The assumption is often made that a person's skills are defined by the job they do or the position they hold. The Web operates differently. Here, people are known for their demonstrated expertise, not for their CV, their corporate reputation or the job they hold. Reputation relies instead on peer recognition, as evidenced by votes, tags, citations and so on. The Web enables a person's true identity to emerge.

Experiment #2: Moving to the edge

Underlying principle? Relying less on standard processes and more on informed judgement

Shift of emphasis? From the bureaucratic to the emergent

Instructions and rationale? Recognise that most change originates at the boundaries of the organisation and at the periphery of the reigning paradigm; equally, recognise that complacency and myopia tend to be strongest in the core of the business, where commercial success was first established. Therefore, strengthen the mechanisms of self-organisation and place greater trust in the emergence of higher levels of order than could ever be designed by experts or elites.

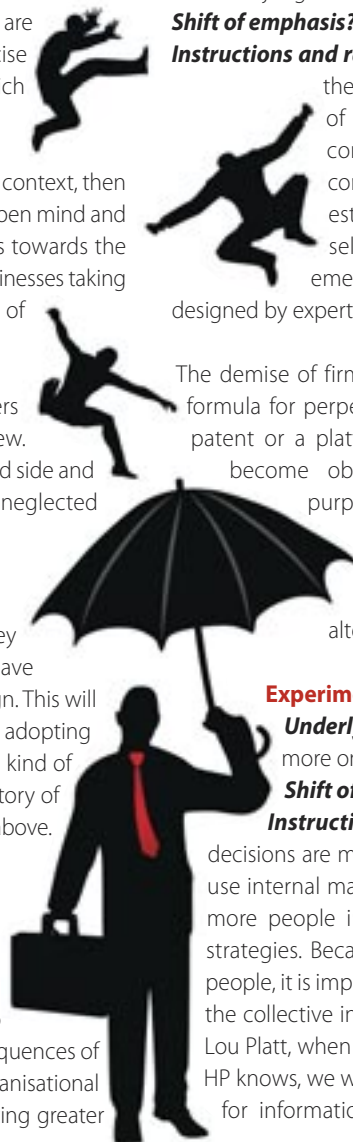
The demise of firms begins with the belief that they have found the formula for perpetual prosperity, whether it be a business model, a patent or a platform for growth. However, all formulae ultimately become obsolete, often earlier than expected. Therefore, purposefully set up a mechanism to fight the natural tendency to get stuck with the blueprint. Create islands of entrepreneurship, far away from the centre, to subvert orthodoxy and experiment with alternative options.

Experiment #3: Giving voice

Underlying principle? Relying less on formal structures and more on informal networks

Shift of emphasis? From the hierarchical to the democratic

Instructions and rationale? Acknowledge that many decisions are made better by crowds than by experts and therefore use internal markets and extended networks to give greater say to more people in the origination and prosecution of competitive strategies. Because too much power is typically vested in too few people, it is important to find ways of outsourcing decision making to the collective intelligence of far more members of the organisation. Lou Platt, when CEO of Hewlett-Packard, once said, "If HP knew what HP knows, we would be more successful." Hierarchies make it difficult for information to flow up as well as down. Therefore, senior



executives are unlikely to be well enough informed to make wise decisions. Better therefore to find ways — such as predictive markets — to harvest and apply the knowledge of all employees, particularly around questions of the expected value of future options available to the company.

Similarly, experiment with the idea of angel investors inside the company and thereby open up more sources of experimental capital for the entrepreneurial ideas of employees. Or give budget holders the right to invest X per cent of their budget in whatever opportunity they want or collaborate with peer budget holders to form a syndicate of lenders. Traditional methods of resource allocation by the top team bear an uncanny and uncomfortable resemblance to the economic methods of the Soviet Union.

Experiment #4: Asking “What if?”

Underlying principle? Relying less on central planning and more on local improvisation

Shift of emphasis? From the strategic to the opportunistic

Instructions and rationale? Develop the habit of resolving differences of opinion by putting opinions to the test rather than delegating them upwards for arbitration. This would have the beneficial effect of encouraging the entrepreneurial imagination and experimenting more often and more fearlessly with bolder and less conventional ideas. Hal Varian, a Professor at UC Berkeley, has suggested that firms don't experiment nearly enough and that more decisions should be made by experimentation and fewer by HIPPOs (highly paid persons' opinions).

Experiment #5: Making connections

Underlying principle? Relying less on monetary rewards and more on the rewards of the job itself

Shift of emphasis? From extrinsic to intrinsic motivation

Instructions and rationale? Trade upon the natural enthusiasm of people to get involved in collective activities for reasons of pleasure, pride or peer recognition rather than financial gain and thereby tap into a previously inaccessible world of knowledge, insight and optimism. Test the idea that people do not need to be bribed to give of their best. The open-source movement and the vitality of voluntary organisations are testament to the power of motives other than financial gain. The traditional organisation is designed around the centrality of the job that needs doing. Organisations that understand the potential of social networking are designing themselves around the centrality of the individual who is seeking to make a difference. They are using the new social media to help such individuals find each other, form thematic communities and coordinate their activities. The limiting factor on their performance is not access to capital but their collaborative capacity — that is, their ability to bring dispersed information and skills together.

Define the organisation more broadly to include customers, business partners and many others in the entrepreneurial search for new business ideas. Procter & Gamble showed the way with their highly successful “Connect and Develop” research strategy.

Experiment #6: Expanding ownership

Underlying principle? Relying less on managing others and more on managing oneself

Shift of emphasis? From the instrumental to the ethical

Instructions and rationale? Recognise the agency problem inherent in managerial capitalism and seek to redress it by finding new ways of providing property rights or patent protection to employees who generate ideas and bring them successfully to market. The challenge is to invent structures that encourage employees to think and behave like owners and partners.

Desiderata

The standard model of management has had a distinguished history. It could be said to have been the critical technology at the heart of the industrialisation of the world. It was certainly one of the great inventions of the 19th century. Without it, mass production processes, such as the assembly line, and the immense wealth that flowed from these methods would never have happened. This model was based on the notion that large numbers of unskilled people, if they were to collaborate on complex and collective tasks, needed clear and precise instructions and that performance therefore depended on controls to ensure compliance.

Today, these requirements are much less common. The workplace has changed out of all recognition. Workforce skills are of a much higher order. Education levels have been raised for most people to a point at which close supervision is redundant or insulting. Organisations are increasingly staffed almost entirely by professionals. As a result, the leadership challenge is very different. Smart people do not respond positively to processes and systems that emphasize alignment, conformity and aversion to risk. They want to be trusted to exercise their own talents in their own way.

Research has shown that clever people resent being managed; what they most want and need from their leaders is to be able to express their talents, to develop their expertise, to work on assignments that measure up to their skills, to be freed from administrative distractions, to be allowed to fail, to be recognised for their expertise and to have the time to pursue private efforts. These desiderata are not often met. This is the challenge that organisations will increasingly have to address in the future.

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Retail Banking: **Rebuilding a Sustainable Proposition**



Notwithstanding their wider social obligations, banks here must focus increasingly on re-pricing their products and services to reflect risk, if they are to become profitable and sustainable, writes **EIMER O'ROURKE**

As we continue to grapple with the global financial and economic crisis, retail banking in most parts of the world is under the microscope like never before. This is particularly true of Ireland where the consequences of past errors are still all too visible. The cost to taxpayers of the State's bank recapitalisation programme and the daily challenges faced by banks' personal and business customers in the current economic environment are among the many factors which currently influence the debate about the future role and shape of banking.

In the circumstances, it is very understandable that much of the focus of public debate has been on the wider social obligations banks should have – not just to their customers but to the wider communities in which they operate. However, in considering the relative merits of this goal we must not lose sight of the importance of sustainability. If our banks are not economically sustainable, they cannot be socially sustainable. To start with, they will not be in a position to repay the Government and taxpayers the very valuable support they have received.

Like any other businesses, banks sell a range of products and services. The core products of retail banking are credit, deposits and payments. Any sustainable, competitive business model must be built on the value of sales exceeding the value of costs. For retail banking, this translates into realistic pricing of all three core product areas, having regard to the underlying costs, inherent risks and the requirement for profit. Of course to be successful the bank's proposition has to be matched to customers' needs and requirements and delivered on a competitive basis.

Costs, Risks and Profit

The underlying costs in retail banking typically arise across a range of categories as follows.

The cost of funds is a primary cost in the credit product. It is the amount which a bank has to pay for the funds which it then lends on to its customers. The amount will vary depending on various factors such as the prevailing wholesale market rates (including the ECB rate), retail deposit rates, the term of the funding, the size of the funding tranche, the nature of the funding (product specific or general), and whether it is secured or unsecured.

Staffing costs and overheads carry across all functions within a bank, with some activities directly related to the provision of a specific service to a specific customer (e.g. underwriting a loan), and others related to the more general provision of a product group. Bespoke, non-routine and non-automated banking transactions incur higher costs.

Physical and virtual infrastructural costs speak to many aspects such as premises - including branches, head offices and specialised units and the costs associated with their operation, electricity, insurance etc; customer communications, advertising, and marketing; payment systems and ATM networks; IT systems - their development, maintenance and updating are a key cost component in servicing each of the three core products. Ultimately, the ongoing costs associated with virtual infrastructures are more competitive than those associated with physical, whilst supply side constraints may increase set up costs.

Direct regulatory costs paid by banks include levies to the Central Bank to cover its costs in regulating each institution, the National Consumer Agency to pay for its role in providing customer information and education around financial services, and the Investor Compensation Company Ltd to provide a fund which covers some loss arising from investment products in the event of a firm failing. Regulatory costs will also soon include a bank resolution levy providing funds at EU and domestic level towards any future bank rescues, as well as levies raised by the National Credit Register to cover the costs of a mandatory, central database for credit checking. In addition, significant and increasing incremental activity under each of the other headings is generated by regulatory requirements.

The risks arising with respect to each product group have to be managed and managing them feeds into a further cost head. The greater the risk in terms of either the probability or the extent of

impact, the higher the cost. The risks that must be managed include credit risk/the risk of default, risks relating to asset/liability management including liquidity risk, re-financing risk, as well as risks arising for the organisation as a whole - including operational risk generally, legal/regulatory risks among others.

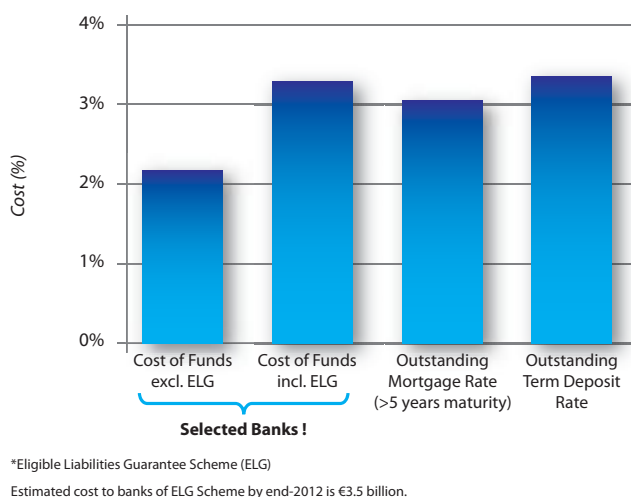
Banks must be able to make a reasonable return on capital in order to return to profitability and to generate new capital internally. In addition, banks have to compete for injections of external capital through demonstrating the ability to sustain market rates of return. Much of the focus on capital has tended to emphasise its essential role in stability. However, it is also critical in providing the capacity for increased lending to businesses and consumers.

Current State of the Irish Market

So how does the Irish banking market shape up in this regard? Notwithstanding specific aspects relating to or arising from the crisis, for a considerable period the Irish banking sector has operated a model of cross-subsidisation with respect to its core products. This has been reflected in areas such as the availability of fee-free current accounts (within certain operational constraints) and mortgage lending rates averaging at less than term deposit rates that are themselves greater than the actual cost of funds to banks - see Figure 1 below.

Figure 1

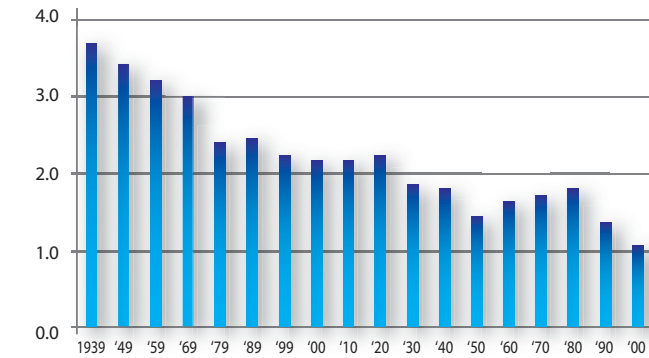
Cost of Funds Vs Mortgage/Deposit Pricing



What drives this cross-subsidisation and is it sustainable? Continued demand for retail deposits has been a very significant driver; in the first instance when demand for lending was high and in the second when interbank market funding constraints emerged. The competitive market has driven retail deposit rates to a point which consistently exceeded mortgage rates. Commentators who ignore the fact that the ECB rate is but one source of funding for banks often seek to tie all the costs of funds to this rate. Media advertising by banks clearly shows them seeking to attract retail deposits offering headline rates far in excess of the ECB benchmark. What additional funds banks have accessed outside of ECB repo sources carry a cost

Figure 2

Irish Lenders' Net Interest Margin



Source: "Variable Mortgage Rate Pricing in Ireland", Goggin, et al, December 2011, Central Bank of Ireland
Note: Break in the series from 2005 onwards

well above the ECB benchmark, whether courtesy of the government guarantee or from wholesale markets.

Not surprisingly, average net interest margins for banks here have been on a consistent downward slide to a point that has become unsustainable. As Figure 2 shows, the average net interest margin is now at its lowest in some 20 years.

On the fee side, a regulatory mechanism precludes a bank from unilaterally changing its account fees and charges. Almost universally unique to Ireland, this is set out in Section 149 of our Consumer Credit Act but it applies equally to payment products. Whilst some improvements around the mechanism have been introduced over the years, its very existence means that banks will be slow to innovate and to re-price products, and in some cases its outputs will preclude banks from doing so. Products priced in a more buoyant market cannot be re-priced to reflect current market conditions without a slow and expensive process, with uncertain outcomes.

Finally, on the costs side, banks are finding it necessary to restructure their operations to make them fit for purpose in the new marketplace environment. With significantly lower volumes of business being

conducted, the infrastructure required in the past is no longer appropriate today. Inevitably, this has led to downsizing and a reduction in staff numbers across the domestic retail sector. As Figure 3 shows, the evidence of this is already there in reduced levels of employment and, in light of more recent announcements, further reduction in staff numbers are to be expected.

Moving forward

If we want our retail banking sector to get back on its feet and to repay its debt to Irish taxpayers, we have to facilitate a return to commercially viable banking in order for it to be sustainable. If we are to have a commercially independent, non-subsidised banking sector, we have to not only allow, but insist on, a move away from cross-subsidisation as the norm, a reflection of cost, risk and profit in product pricing and a relentless pursuit of efficiencies across the economy to feed into promoting our national competitiveness.

Of course at the same time banks must have regard to the interests of the wider society in which they operate. But this should not, and need not, preclude their striving for sustainability.

In the final analysis banks will only be able to repair themselves, reduce their reliance on the taxpayer and strengthen their balance sheets by returning to profitability. To achieve this, banks themselves, governments, regulators, customers and taxpayers must understand that a fundamental re-pricing of core banking products across the financial system, both here and globally, is required. ■

Banks' wider obligations

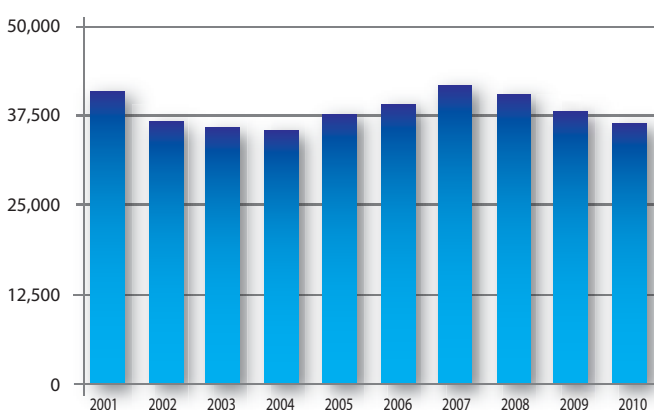
Examples abound of special circumstances where cost is not recouped and where risk is not reflected in the price – the following are just two of many such examples. However, it is important that such initiatives continue to be targeted at specific customer groups where they are needed most.

Debt management: Most borrowers are up to date with their mortgage payments, but banks are working proactively with borrowers experiencing financial difficulties to find solutions which will provide forbearance where appropriate. By the end of this year, banks will have progressed this further to identify medium or long term propositions for customers who engage with them and whose mortgage is simply not sustainable due to their changed circumstances.

Financial Inclusion: Banks provide an essential infrastructure in the modern environment and it is recognised that, where someone may be excluded from the mainstream of society through an inability to afford a bank account, this situation must be addressed. A number of banks will launch a pilot "Standard Bank Account" product this year aimed at such customers. ■

Figure 3

Employment in Credit Institutions



• Eimer O'Rourke is Director Retail Banking with IBF, the principal voice of the banking and financial services sector in Ireland. The theme of this article will be further addressed by leading speakers from home and abroad on 16 October at IBF's National Banking Conference, "Retail Banking in the Future: Back to Basics".



Why values matter

Everyone has values but not everyone explicitly knows what theirs are. Nonetheless they still have an implicit set of standards that they expect others to live up to. They act, make decisions and see the world through their own filter. In this extract from her new book on this subject, **IRIAL O'FARELL** looks at the issues and challenges around personal and organisational values.

One of the most striking and useful discoveries I made when I first started working with values was how they inform conflict. Recognising their own value set helps people appreciate many of the sources of the conflict they encounter. In turn, this allows better conflict management, leading to reduced frustration and an increase in an employee's ability to remain focused on their work and to influence others.

Cost of Conflict within an Organisation

Think about the last time you were in a conflict situation – it might have been with your boss, a colleague, or a client.

Now, describe how you felt. Did you feel dread, anger, or fear? Did you get a roar of sound in your ear? Did your tummy tie itself up in knots? Or did your shoulders tense up? What self-talk ran around your head after the incident? How long did it take for the self-talk to talk itself out? A few minutes? A few hours? A few days? Has your self-talk started again just thinking about the incident?

Physical Impact of Conflict

Conflict has a physical impact on the human body, which can negatively impact a person's performance. When an employee comes into conflict, either expected or unexpected, their body automatically responds with "fight or flight" instincts, i.e., are they going to stay and stand their ground or are they going to make a run for it?

Regardless of their choice, their body has already flooded with adrenaline so that, even if they do decide to flee and avoid the conflict, the adrenaline has still rushed its way through their system. One physical result is that the body draws blood away from the brain, reducing the employee's ability to think clearly. Other impacts are outlined in Key Concept 1.

No matter how the employee chooses to respond to the conflict, the physical impact of the adrenaline wears off but the impact doesn't stop there.

If the response was to fight, the situation and conflict might have escalated through how they responded (e.g., answered back inappropriately), causing damage (or further damage) to a relationship. They then have to deal with the outcome of their response as well as



Physical impact of adrenaline on the body includes:

KEYPOINT 1

- Reduction in ability to think clearly
- Heart beating loudly
- Body feeling tense
- Butterflies in anticipation of conflict situation
- Tunnel vision, resulting in not being able to see clearly
- Thoughts becoming distant
- Difficulty in making decisions
- Responding inappropriately

the internal self-talk that most people undergo after such an incident to justify their behavior.

If the response was to flee, it still results in the employee spending the next few minutes, hours, or even days engaged in their internal self-talk, justifying why they walked away. They might have also generated a situation whereby they walked away from an interaction, the upshot of which is that they have, in effect, acquiesced to something that they don't actually agree with or want to do. For example, the employee might have spotted aggressive behavior coming from a colleague and agreed to what the colleague wanted, just so they could avoid the conflict. In this case, their performance is being hampered by agreeing to something that they know is not the right or best thing to do but they gave in because it was easier to choose the flight response.

Cost of Personal Conflict

Whether the employee's response was to fight or flee, from the organisation's perspective the conflict is damaging and costly. Deteriorating relationships, hoarding information, and poor decisions are some of the many outcomes from such situations.

Organisational Benefits of Reducing Conflict

By reducing conflict, employees are better able to remain clear-headed, engage in discussions that result in better decisions, maintain more effective relationships, and minimise time lost due to negative self-talk. Ultimately, this tends to result in less emotional leakage and more consistent, appropriate behaviour, resulting in improvement in both the employee's and the organisation's performance and boosting the bottom line.

Conflict Arising from Values

In working with people and their values, I have observed that conflict regularly occurs through a clash of values, due to a person's expectations of what they expect of themselves and others not being met. What I have also noticed when working with coaching clients is that, once they understand their own values and expectations and can recognise that the source of a conflict is due to reality not matching these expectations, they are better able to deflect the conflict and maintain their poise, lessening the negative impacts of conflict.

Due to multiple sets of personal values, conflict within an organisation is naturally more complex. So, in order to minimise conflict across a company, it is important to have a clear understanding of the different sources of conflict in order to develop strategies to reduce it. Once understood, it takes determination and persistence to see them successfully implemented.

Levels of Conflict within an Organisation

I have identified five levels of conflict within an organisation, as outlined in Key Concept 4, arising out of differences in personal values or differences between personal and company values. As we will see, these conflicts might be caused by being unaware of not upholding, differences in ranking of values.

1. Intrapersonal Conflict

During a night out with her female work colleagues, Carla discovered that a male staff member had been behaving very inappropriately towards several of the female staff. The women were making a joke of it, which caused Carla to probe further, as the male in question was going through the interview process for a promotion. She found out that all the women felt very uncomfortable in his company and were genuinely concerned that this would be exacerbated if he was promoted.

As a senior member of staff, Carla was concerned by this. Their unease matched with her own experience of interviewing the candidate. Unsure of what to do, she called a solicitor friend and explained the situation. His advice was to leave well enough alone—it was all hearsay, it could rebound spectacularly badly on Carla, and really, in his view, it was up to the female employees to raise their own concerns.

Carla listened to the advice and, on the face of it, it all seemed valid. There was nothing wrong with any of it, at least not that she could figure out. As he was the legal expert, she took his advice and decided to say nothing, and the candidate got the promotion. The problem for Carla was that, even though she was the one who made the final decision, she never felt comfortable with it. In fact, she often ended up having sleepless nights, mulling over her decision, trying to understand what the cause of her unease was.

In reality, Carla valued integrity so, even though there were all the legal arguments, none of them sat right with her. Carla was experiencing a disquiet caused by her sensing deep down that the right thing to do was to address the issue, as part of a wider obligation to her position as a senior manager, and to the organisation.

Sensing the right thing and not honouring her sense of integrity was causing Carla internal or intra-conflict.

Intra-conflict refers to conflict within an individual due to their personal values. Typically, it arises in two ways:

- Lack of awareness of personal values
- Behaving inconsistently with known personal values



KEYPOINT 2

Organisational Cost of Conflict

- Poor decisions
- Deterioration in relationships
- Mistrust
- Hoarding information
- Lack of co-operation
- Loss of focus on job/tasks
- Underperformance
- Sick leave, short and long term
- Potential bullying claims
- Unnecessary staff turnover
- Loss of knowledge & skills



KEYPOINT 3

Benefits of Minimising Conflict include:

- Clear, effective decisions
- Effective relationships
- Increased ability to influence
- Sharing of information
- Trust and co-operation
- Employee energy focused on work
- Achievement of objectives and projects
- Reduction in time lost due to gossiping
- Increased employee and team performance

2. Interpersonal Conflict

Chris valued control while John valued flexibility. They had been asked to work together on a new project, having never worked together before. Chris liked to honour control by making all the decisions and by knowing what was going on at all times. At the start of each project, he liked to map out a plan, with all the steps outlined, and timelines and outcomes identified and agreed upon.

On the other hand, John valued flexibility so, initially, he had no problem adapting his style to meet some of Chris's needs. As a result, John didn't have a problem with a plan being drawn up at the start of the project, and agreed to the suggested steps, timelines, and required outcomes. However, he found Chris's need for outcomes to be decided and agreed upon in advance of the work being done frustrating as it was contrary to the more flexible approach of allowing outcomes to emerge.

In honouring his value of flexibility, John also liked to see how things progressed and to then respond accordingly. He started to feel hemmed in by Chris's need to always be kept in the loop and to stick with the plan, no matter what. Over time, the two approaches started to grate and conflict arose from the difference in values. Chris started to see John as undisciplined and wishy-washy while John started to feel constricted and frustrated by Chris's "control-freak" approach to the project.

What was happening was a clash in values—what was important to one was on the other end of the spectrum of what was important to the other. Neither was right, neither was wrong, they were just different. However, the clash was clearly causing a conflict between Chris and John and would continue to do so unless something changed. From my coaching experience, conflict between two people typically occurs due to value differences. I refer to this conflict as interpersonal conflict.

3. Intra-Team Conflict

While interpersonal conflict is between two people, intra-team conflict refers to conflict occurring specifically within a team. For example, in one intra-team conflict, Paul, the manager, and Mary, the supervisor, were coming into conflict due to Paul always focusing on the negative while Mary focused on the positive. The team was starting to rally around Mary, and Paul was aware that he was becoming very isolated. While this was an interpersonal conflict between two people, due to the levels of the people involved, it was impacting the whole team.

As it turned out, Paul valued perfection and anything less than that was cause for concern, even if the task didn't require 100 percent. So, if something was 99 percent right, Paul focused on the 1 percent that wasn't perfect, at the expense of acknowledging the 99 percent that was correct. Over time, the rest of the team found this de-motivating and started looking to Mary, who tended to put more of a positive spin on the team's performance.

Intra-team conflict can be caused by a clash of values between two or more people that spills over into affecting everyone within the team. The more senior the employees involved in the conflict are, the more impacting it becomes on the team as a whole.



Sources of Organisational Conflict:

- Intrapersonal conflict
- Interpersonal conflict
- Intra-team conflict
- Inter-team conflict
- Organisational conflict

KEYPOINT 4 4. Inter-Team Conflict

During a values workshop I facilitated with a customer service team, we explored what each of their company's values meant to the team and I then asked them to rank them. As part of the discussion that arose, they highlighted how their team came into a lot of conflict with a particular operations team. They decided to take a stab at how they thought the operations team would rank them.

As expected, the rankings were substantially different. The team then considered the behavioural differences that were naturally arising from the ranking differences. While they acknowledged that both teams were upholding company values, they were able to clearly see that the difference in ranking orders was the cause of their conflict. In effect, while meeting the needs of the customer was priority number one for the customer service team, it was bottom of the pile for the operations team, who valued safety. Both teams were upholding company values but the difference in each team's ranking of them was causing conflict.

Inter-team conflict refers to conflict arising between two (or more) teams due to either different sets of values or differences in ranking company values. Even in an organisation that is committed to upholding its values, unless the values have been explicitly ranked, teams might start applying their own rankings, resulting in inter-team conflict.

5. Organisational Conflict

Tom valued resourcefulness, which he defined in terms of "not necessarily having the answers, solutions, or resources but being able to find them, as required, so that the job could get done."

An opportunity arose to move to another company. As part of his due diligence, he asked questions about how the new company approached their business. He was assured that achieving results and looking for ways to improve performance were important to the company. This answer reassured Tom that he and the company were sufficiently compatible for it to be a good move for him.

Within weeks, Tom became acutely aware that a great big status quo existed in the new company and that, while achieving results via the current ways was important, when obstacles arose, people just threw up their hands and said it couldn't be done. Every time Tom suggested ways to overcome an obstacle, people would just shrug and say, "Why bother?"

Very quickly, it dawned on Tom that he was a square peg in a round hole. Put another way, he was in conflict with the company's mindset or approach to doing business. Again, it's not that either Tom or the



KEYPOINT 5
Two teams can uphold a company's values and still come into conflict. This conflict can be caused by the two teams implicitly or explicitly ranking the values in different orders. The impact can result in inter-team conflict

company was right or wrong; it's just that what was important to both of them didn't match.

Organisational conflict refers to the conflict that arises between an individual and the company. This type of conflict typically arises because the organisation says one thing and does another.

A company has actual values, whether they actively acknowledge them or not, resulting in everyone sensing "how we do things around here." This is often referred to as the company's culture. Since these values already exist, it's important to identify what they are, clarifying what they mean, and determining if they are the correct set of values to adhere to going forward. If they are not the right set, then there is a need to identify which ones need to change (comfort values) and what they should ideally change to (missing values).

Not taking the time to understand the actual values and their source and imposing a set that bears little resemblance to the current set causes widespread conflict and cynicism, otherwise known as organisational conflict.

Strategies to Reduce Sources of Conflict

As we have seen, there are many benefits to be gained by minimising conflict within the workplace, such as consistent decision-making, positive relationships, increased ability to influence, trust, consistent customer experience, and better employee, team, and organisational performance. Now that we understand the five sources of conflict, what options are available for an organisation to effectively minimise them?

- **Strategy One:** Personal values programme
- **Strategy Two:** Identifying and defining company values
- **Strategy Three:** Understanding values and ranking
- **Strategy Four:** Challenging anti-values behaviour

Strategy One: Personal Values Programme

As the executive team is so influential in defining and implementing a company's culture and approach to business, it is really important that each member is acutely aware of their own personal values, how they rank them, how they connect them through to the company values, and also how they might come into conflict with the company's values. In addition, if they know how their values potentially conflict with those of other executive team members, all the better. Providing such a development program to the executive team can reduce a source of individual members' intra- and interpersonal conflict. It also lessens organisational conflict, as each executive is more likely to actively support the company values and those that are out of tune will most likely leave. Due to each executive being aligned with the company values, there is also less likelihood of inter-team conflict arising due to a specific team developing a microcosm of alternative values.

Strategy Two: Identifying and Defining Company Values

As we have seen, a company that states values without taking the time to understand what the business truly values sets the

organisation up for conflict. Strategy two focuses on a company taking the time to honestly create a set of final stated values by capturing and analyzing the actual values, ditching any comfort values, and incorporating any relevant missing values. Creating a set of values that can be clearly communicated and will be actively supported reduces the likelihood of conflict arising through misunderstandings and inconsistencies.

Strategy Three: Understanding Values and Ranking

When introducing values within an organisation, it's also important to introduce and explore the concept of ranking them. As we have seen, one team might rank a set of values differently than another, causing inter-team conflict to arise. Or different employees might rank the company values differently, potentially causing interpersonal or intra-team conflict.

Strategy Four: Challenging Anti-Values Behaviour

The above strategies clearly require a considerable commitment to both the idea of company values and to incorporating them into the business. The final strategy focuses on preventing that good work from being undone by ensuring employees understand, connect with, and remain aligned to the values through challenging behaviours, actions, and decisions that don't appear to support them.

Use of the word "challenge" here is not meant in the sense of "accuse." A behaviour or decision can be challenged by asking non-personal questions such as, "How does that behaviour uphold the values?" or "What was the ultimate driver in coming to that decision?" In effect, "challenge" is being used in the sense of raising the topic and holding the conversation in order to explore perceptions and interpretations, and to learn from the incident.

The four strategies suggest some ways that conflict throughout the company can be reduced. Some strategies can be brought in piecemeal, e.g., a personal values programme could be introduced within a team or a department, while others clearly need to be introduced at the organisational level, such as identifying and defining company values. Successfully introducing and implementing all four strategies together should go a long way toward reducing the sources of conflict, and freeing employees up to focus on the company's mission statement and supporting the company's values. ■



- *Values, not just for the office wall plaque by Irial O'Farrell is available from bookshops and Amazon.*

*Irial O'Farrell is a management consultant, business coach and author.
www.IrialOfarrell.com*

Talent is the name of the game

According to PwC's 2012 CEO Pulse survey, it is critical to assess talent investment in a company, ensuring significant results beyond productivity and labour costs for business, writes **CIARA FALLON**.

Having the right people in the right places doing the right jobs might not sound much of a challenge, but our experience with businesses over the last year or so indicates that talent constraints will be a key stumbling block for success into the future. Only 30% of global CEOs are very confident that they will have access to the necessary talent over the next three years. Furthermore, according to PwC's 2012 CEO Pulse survey, over a quarter (28%) of Irish business leaders said that their business performance has been significantly impacted by talent constraints in the last year.

This sentiment was echoed earlier this year at the World Economic Forum which heard that human capital will soon rival - and may even surpass - financial capital as the critical scarce resources of the future. Since the financial crisis and with the explosion of the digital economy, the way we do business is changing and the talent issue is more complicated than most believe. Many of the new roles require skills and capabilities radically different from what the current talent pool offers.

And in certain sectors, like IT, pharma, financial services, agri business and other exporting areas, there are simply not enough people with the right skills. What is needed now is not just people with the skills to deal with new technologies and business models but also those who are good communicators, who will bring a team along with them and in many cases, have a foreign language.

Available skilled talent is also important for Ireland Inc and for our ability to continue to attract foreign direct investment. Over a third (35%) of multinational CEOs said that access to a highly skilled workforce is a critical factor to maintaining and/or increasing Ireland's attractiveness as a location of choice for foreign direct investment. So how are talent constraints impacting business and how do we address the issue?

The PwC 2012 CEO Pulse survey revealed that talent constraints have had a significant knock-on effect. For example, around one in two of Irish CEOs said that skills shortages impacted innovation, cancelled or delayed a key strategic initiative and stopped them pursuing new market opportunities. Over a third of them said that it resulted in profits being below expectation. Others said it resulted in falling service standards and overseas growth

plans not been achieved. The survey further revealed that attracting and retaining high-potential middle managers was the greatest challenge. This was followed by the executive team and people in key strategic roles. Indeed, according to the survey, if the CEOs had more time, over two-thirds of them would spend it on developing the leadership and talent pipeline. This came second only to spending more time with customers.

There is a sense that significant change is coming down the track. The PwC CEO Pulse survey revealed that 68% of Irish CEOs plan to change their strategies for managing talent; 62% will change their management team and over a third (43%) are in favour of their Board of Directors being restructured.

As with many significant business challenges, top leadership must own the problem and be accountable for the results. The talent agenda cannot be simply delegated to HR, rather the HR Function needs to facilitate, support and challenge the business on this journey. Dealing with the talent issues requires a combination of many actions, including:

- Ensuring that organisations' HR and business strategies are aligned, with joint ownership being particularly crucial. There needs to be clarity on where the business is going and the resulting people and talent implications and requirements. Mobilising talent in this way and ensuring all of the organisation's goals are in synch and properly communicated, will greatly increase the likelihood of enhanced business performance;
- Recruiting and retaining the best people is a priority and 82% of Irish business leaders indicate that they will fill the talent gap by hiring new people. To address this skills gap, CEOs are looking outside their sector for talent but they are also going deeper into their own organisations to pinpoint their future leaders and invest in their development now. The cost of identifying, acquiring and on-boarding new talent is resource-intensive, but sometimes a necessary process. It is important that organisations strike the right balance between skilling-up existing staff (growing your own wood) and importing new blood to ensure that the right return on people investment can be realised. Other ways CEOs have of getting access to new talent, according to the PwC CEO Pulse



Since the financial crisis and with the explosion of the digital economy, the way we do business is changing and the talent issue is more complicated than most believe.

Survey, are through outsourcing (32%), while others plan to partner with other organisations (26%), both of which methods can act as both short and long term means of addressing a skills/experience gap.

- Fully engaging with your people and involving them in business decisions is key, not only where motivation and retention is concerned, but also where buy-in to change is needed. PwC's recent Business Barometer on people engagement reveals that only a fifth (21%) of Ireland's HR leaders believe that their people are truly engaged in their business. Over a third (38%) said that they do not measure people engagement. Less than half (44%) said that they do not benchmark their people's performance against peer and industry norms. The top three most effective approaches for building employee engagement, according to the Business Barometer, are: having an effective communications programme; actively involving your people in key decisions and devolving appropriate responsibility, accountability and authority;
- Metrics will help. We are increasingly finding that organisations are seeking to measure and report on their investment in human capital. When making business decisions, information pertaining to labour costs

(57%) and staff productivity (56%) is critical. Other important measures include costs of employee turnover, employee engagement measurements and return on investment in human capital. It is important to be clear on the metrics that matter in your business and make sure that there is an understanding of what it really costs when top talent walks out the door;

- The right reward structure with appropriate incentives, aligned to the business objectives, is vital. It's often not all about money. Apart from competitive wages, our research indicates that the big things attracting the young 'high flyers', for example, are interesting work, flexible hours and work/life balance, first-class training and good career opportunities, as well as international exposure.

Of course, having the right people at the very top matters enormously too. Having the right leaders setting the tone, who create a supportive environment where everyone can thrive, is critical. The 2012 PwC CEO Pulse survey shows that nearly half (48%) of Irish business leaders want an increased focus on overall Board performance. Furthermore, the survey highlights the need for more insightful input from Board members, particularly with regard to managing risk and stewardship of the business.

With new and more heightened focus on regulation and compliance, the composition of company boards is very much in the spotlight. As a result, the quality of, and contribution made by, non-executive directors is now a matter of concern for many organisations. Companies are now asking themselves questions about the size and composition of their boards and the qualities and expertise required of their non-executive directors. As a result, many are taking an executive search approach to finding non-executive directors. They are conducting exhaustive research, interviews and psychometric tests in the same way as they would for an executive appointment.

At the same time, increasing levels of boardroom regulation and risk have placed greater demands on non-executive directors. And while the increasing challenges have made the role of the non-executive director more attractive, many feel challenged by the complexity of the business and the demands associated with the increased involvement, influence and responsibility that the role brings. Consequently, many non-executive directors expect to reduce the number of appointments they hold, to make sure they commit sufficient time to carry out their duties effectively.

In summary, business leaders need to rethink their approach to talent management to ensure it is fit-for-purpose and that the business can thrive in what is fast becoming 'a new norm'. With only a minority of CEOs getting the right information for the measures they say are important, there is a huge opportunity. CEOs want to know about their talent investment beyond productivity and labour costs. Employee engagement, team performance and isolating skills gaps can be challenging dimensions to measure, but they are critical to see where investments and innovation are working. Proper investment in talent is critical, from recruiting the best people, developing and deploying this talent, providing them with exciting experiences and finally rewarding them in ways that are right for both the individual and the business. Getting the talent formula right will bring significant and sustained returns to those shrewd enough to make the necessary investment of resources and management energy. ■

● *Ciara Fallon is Senior Manager, PwC Consulting and Change Management*

Sales is from Mars and Marketing is from Venus

Three ways to ensure that marketing is heard at the top table

Revenue Performance Management specialist Marketo, which operates its European headquarters in Dublin, knows something about how to grow sales – it was named as Silicon Valley's fastest growing private company in 2011. In this article Fergus Gloster, European Managing Director, explains how marketing and sales must escape from their traditional separate silos and adjust to the new realities of revenue performance.

Historically the relationship between marketing and sales has been problematic, to say the least. The sales team blamed the marketing people for failing to generate enough quality leads while marketing complained about its hard earned leads not being followed up. That is if they talked to each other at all. In many organisations the two groups seem to operate in separate silos. Not without foundation, it must appear to many CEOs that sales is from Mars and marketing is from Venus.

It should be the responsibility of C level executives to ensure that this conflict is avoided. However, the marketing challenge is exacerbated by the fact that CEOs tend to view sales as a revenue centre and marketing as a cost centre.

The fact is that buying behaviour has changed due to the abundance of information readily available to prospective customers and as a result, marketing has become more important than ever in delivering the revenue pipeline. It is estimated that 70% of the buying process is now complete by the time a prospect is ready to engage with sales.¹

However, worryingly for the CMO, research suggests that only about a third (35%) of CEOs believe that marketing makes an impact and that this is measurable. Almost half (47%) of CEOs believe that marketing programmes make a difference but the contribution is not measured. One in five CEOs is not sure about the impact of marketing but believes it probably makes a difference even though this is not measured.²

Typically senior executives outside the marketing department perceive that marketing exists solely to support sales. In the worst case scenario, marketing is viewed as an arty function that organises golf outings or churns out new brochures or website designs. However, if we are reaching the stage that 70% of the purchasing process will be completed before sales gets sight of the prospect, then marketing must take more responsibility in creating that pipeline.

Today's marketing must be seen, not as a cost centre, but an essential part of the machine that generates revenue and profits. There are three main ways that marketing can, and must, start to earn the respect it deserves and gain a seat at the revenue table.

1) Speak the same language as the CEO and CFO

It's no secret that CEOs and boards don't care about the open rate of your last email campaign or your last press release's number of views. In today's economy, CEOs and CFOs only care about growing revenue and shareholder value and the answers to forward looking questions like:

- How much faster are we growing now versus last quarter? Last year?
- How much revenue will we generate next quarter? How much revenue do you forecast for next year?
- What is your confidence level in the above answers?

Soft metrics like brand awareness, GRP (Gross Rating Point) impressions, organic search rankings and reach are important – but only to the extent that they quantifiably connect to hard metrics like pipeline, revenue and profit.

Of course, marketers must track and measure the impact of all key marketing activities, both hard and soft. But they should keep all but the most critical metrics internal to marketing. By speaking the same quantitative language as CEOs and CFOs, marketers will better communicate marketing's value and impact to the executive suite.

2) Be brave about embracing measurement

If you're in B2B marketing then do yourself a favour. With all of the stats at your disposal, you should share just two categories of metrics with senior management if you want the respect of your CEO and CFO. Revenue Metrics and Marketing Program Performance Metrics, which document the impact of effort and investment and directly link it to revenue and profit, will enable you to speak the financial language of business.

Whilst tracking other metrics internally within the marketing department



Gloster – “Marketing is not a cost centre but an essential part of the machine that generates revenues and profits”

helps to make better marketing decisions, sharing non-revenue related content will only serve to invite questions from the more financially oriented executives and undermine marketing's credibility with the board.

In fact, when it comes to marketing metrics, there are three key areas where things can often go awry:

- i) **Vanity Metrics** – Too often, marketers rely on “feel good” measurements to justify their marketing spend, instead of pursuing metrics that measure business outcomes and improve marketing performance and profitability. Typical examples include the number of Facebook likes, Twitter followers or press release impressions.
- ii) **Activity Metrics** – Marketing activity is easy to see and measure, but marketing results are hard to quantify. In contrast, sales activity is hard to gauge, but the results are easy to measure. Little wonder that sales gets the credit for revenue and marketing is perceived as a cost centre. This also relates to quantity versus quality. Focusing on quantity, without also measuring quality can lead to programmes that look good initially but don't deliver profits.
- iii) **Cost Metrics** – Framing marketing exclusively around spend instead of results and outcomes, leads others to associate marketing as a cost centre rather than a revenue driver and something to invest in. This makes it tough to defend the marketing budget in difficult times.

3. Start measuring the right metrics

76% of B2B marketing professionals agree or strongly agree that their ability to track marketing ROI gives marketing more respect.³ CEOs and boards care little about 99% of the metrics that marketing people track. Yet many marketing folk are notoriously shy about measuring the results that matter to a C level audience.

To begin, identify your company's business objectives. A successful marketing executive is a business leader first and a marketer second — and every business leader needs to demonstrate to his/her CEO, CFO and Board that he/she is concerned with what they value most: typically, shareholder value.

Once you determine your company's high-level strategic objectives, define the specific marketing metrics by cascading down from there. Keep things simple. Think about the two categories mentioned earlier – revenue metrics that quantify the aggregate impact on company revenue and programme performance metrics that look at the ROI of individual marketing programmes. Within those categories, there are three types of metrics to consider:

- 1. KPIs:** How did we do? Looking back, what impact did marketing have?
- 2. Diagnostic:** Right now, what is working? How can we do better? An example is revenue cycle conversion rates, including demand to qualification to pipeline to close. Compare yours to those of similar companies.
- 3. Leading indicators:** Looking forward, how will we be going? The size of your active, in-profile target prospect database is a key asset in the business and indicator of future performance.

As the function that ‘owns’ the relationship with early stage prospects, marketing is now responsible for a much greater portion of the revenue cycle than ever before. When executed well, revenue starts with marketing. Yet many marketers think of marketing ROI as reporting on the outcome of their programmes, often in the form of monthly reports. The right metrics and marketing analytics will empower marketers to move from historical, backwards looking measurement to decision focused management and earn their seat at the C executive table. ■

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¹ SiriusDecisions Inc (<http://www.siriusdecisions.com>)

² VisionEdge Marketing & Marketo 2010 Marketing Performance Measurement and Management Survey of 423 executives

³ Forrester Research (Forrester's Q1 2007 B2B Marketing Measurement Online Survey)

Hot-housing Ireland's brightest digital start-ups

O2's parent Telefónica has recently launched its global technology accelerator programme, Wayra, in Ireland, marking a multimillion Euro investment in Irish-based start-ups



Hanway: "There is always the possibility that a new Facebook or a new Linked-In could emerge over time from this process. That's what makes it so exciting."

While Wayra means 'wind' in Quechua, a language of the central Andes, it is also the name chosen by Telefónica for an ambitious new initiative that is set to become the world's largest technology accelerator programme.

Initially launched last year in Latin America and Spain, Wayra has been created to find and nurture the best technology ideas and talent around the world, aiming to become an accelerator for the development of future 'Silicon Valleys' in the countries where it is present. In May Wayra launched in Ireland, its tenth country for launch, with the Dublin Academy being the eleventh in the world.

Already present in Argentina, Brazil, Chile, Colombia, Spain, Mexico, Peru, the UK and Venezuela, Wayra's calls for projects have received more than 11,000 applications from new digital businesses, making it the leading global platform for identifying technological talent in the ICT world.

In practical terms, Wayra selects 10 start-ups to receive an investment of up to €50,000 and access to the Wayra Academy, a purpose-built workspace in O2's

headquarters in Dublin's Docklands. The successful projects will spend six months in this Academy, receiving help to accelerate their business, and technical and commercial support to further develop their ideas. The projects will also have access to other entrepreneurs across the growing network of Wayra Academies in Europe and Latin America.

The 10 initial Wayra projects will be followed by further intakes on an ongoing basis. Significantly, as a mark of Telefónica's continued commitment to the chosen projects, the organisation will be taking up to a 10% stake in each of these new ventures and access to the technology that flows from these initiatives.

"In venture capital terms it's the investment that takes the least and gives the most," notes Telefónica Ireland's Chief Executive Tony Hanway. "Wayra is an exciting venture for us to be involved in and it puts us at the heart of innovation in Ireland, which is good for the country, good for the enterprises and good for Telefónica too," he says.

Hanway says that as Ireland is renowned for its entrepreneurial spirit, he believes that Wayra will flourish here, where the strong focus on the technology and digital sector makes it an ideal breeding ground for new start-ups. "Wayra is also an excellent fit with the Irish Government's on-going initiatives to support the creation of sustainable high end jobs and become a leading global digital hub, and we will be delighted to link with the existing programmes, Government or otherwise, to help further the ambitions of Ireland's technology entrepreneurs," he adds.

Speaking at the launch of the initiative here, Gonzalo Martin-Villa, Global Director for Wayra noted that Ireland represented a significant milestone for Wayra. "Ireland has one of the most developed entrepreneurial eco-systems in Europe and is at the forefront of many technology trends. Our growing

international network of entrepreneurs will benefit from Ireland being part of this, and we believe that Irish entrepreneurs will also benefit from being part of this global community," he said.

Hanway says that the organisation was keen to complement rather than compete with existing initiatives in Ireland and had discussions with the Digital Hub amongst others before launching Wayra in Ireland. "The feedback we received is that there were a huge amount of high quality projects with a major lack of available funding and resources and that our initiative would be warmly welcomed," he notes.

Wayra has a strong digital focus and while Hanway says that the organisation did not want to be overly prescriptive in the areas from which it wished to receive applications, evidence from other Wayra initiatives suggested that projects are likely to include areas such as cloud computing, security, smart cities, e-learning, e-health, financial services, e-commerce, location-based services, social innovation or other digital fields associated with the web environment or mobile software.

Some 335 submissions were received for the first round of Wayra funding, applications for which closed on June 24th. Experts within Wayra, Telefónica, O2 and the wider Irish innovation community will evaluate each of these submissions over the coming months and choose a shortlist from which participants will be invited to take part in the Wayra Week in September.

During Wayra Week, the shortlisted entrepreneurs will pitch their ideas to an external expert judging panel. The ten best projects will then be invited to move into the new Wayra Academy in late September.

The Wayra Academy will act as a hothouse, where the winners can develop their ideas, network with the other Wayra projects both in Ireland and throughout Europe and

receive mentoring and inputs from Telefónica staff.

"Over 50 of our staff have volunteered to assist the Wayra entrepreneurs and we believe that it will add an energy and buzz to our office," Hanway observes. "There is always the possibility that a new Facebook or a new Linked-In could emerge over time from this process. That's what makes it so exciting," Hanway concludes. ■

Smart-thinking Wayra initiatives to date:

The London Wayra Academy is currently host to a number of innovative projects including:

- **Insane Logic** - MyChoicePad, an educational iPad app that uses symbols, photos and sign language to enable choice and communication for children and adults with learning or communication difficulties
- **Epicurely** - a platform to organize collaborative dinner parties. In a nutshell, Come Dine With Me meets AirBnB. It will empower amateur chefs and cooking enthusiasts by helping them gain recognition for their talents and unique styles. Much like blogs gave aspiring journalists a voice, Epicurely will allow for a sharing of recipes, tips and experiences
- **Minicabit.com** - a UK-wide, real-time price comparison and booking platform, on web or mobile, for booking long distance and local trips by licensed cab consumers and SMEs can save cost and hassle travelling out of town vs. taking connecting trains and buses.



BARRY MCCALL

looks at Ireland's burgeoning
Life Sciences industry and talks to Eversheds
Solicitors about how the industry can be further developed.

Building on our strengths **in Life Sciences**

It is now generally agreed that Ireland has the potential to become a global leader in the high growth Life Sciences sector. The industry which spans pharmaceuticals, chemicals, diagnostics, medical devices and biotechnology generates over 63% of our merchandise exports making Ireland the largest single net exporter of medicines globally. Ireland is home to 18 of the world's top 20 pharmaceutical companies and six of the world's top 10 selling pharmaceutical products are exclusively produced here.

Life Sciences exports in 2010 were valued €56.8 billion, accounting for over 63% of total exports, or 35.5% of the GDP. That makes Ireland one of the largest net exporters of pharmaceutical products in the world.

In addition, the industry now employs over 50,000 people directly with thousands more employed indirectly.

"The sector is hugely important to the Irish economy", says Tony McGovern, Partner, Life Sciences and Technology with Eversheds. "And it's not just important from the perspective of manufacturing. Back in the 1970s when we joined the EU Ireland was seen as just a manufacturing location, but the country has now leveraged its very talented, young and energetic people to move up the value chain in terms of the product lifecycle. It now successfully competes internationally for the R&D projects and novel technologies which generate new intellectual property and licensing opportunities. I

believe the industry is a significant part of the future of the country in terms of getting us back on the road to recovery."

He points to Ireland's progress in the area of medical technologies for evidence for this. "Ireland is now home to Europe's leading medical technologies cluster and has the highest per capita employment of medical technologies personnel across Europe. This cluster is comparable in scale to some of the world's leading clusters in Massachusetts and Minnesota and boasts nine of the top ten global medical technology companies. Galway now has a tremendous talent pool in this area and the cream of the crop of medical technology companies are coming from the US to establish there."

A number of factors underpin Ireland's attractiveness to the sector according to Barbara O'Neill, Senior Associate, Life Sciences and Technology at Eversheds, "These companies say that Ireland is an obvious place to come because of its talent pool, because it's a good place to do business and the fact that the government is open to innovation. We are also the only country in the Eurozone that speaks English."

Barbara also notes the traditional links between Ireland and the US but says their importance should not be overestimated. "There's also a huge affinity between Americans and the Irish but let's not forget at the end of the day American companies want to know 'what you can do for us' when they are making an investment decision. That's why I was hugely relieved after the referendum result on May 31. As it stands, Ireland is absolutely an ideal bridgehead between the US and the EU and a different result in the referendum might have endangered that position."

Quite apart from our traditional strengths in terms of luring foreign direct investment to our shores American companies are being driven to look beyond the US when it comes to product development. "The US FDA has gone through a difficult period over the past while", O'Neill explains. "It was subject to accusations of slipping standards in relation to medical device product approvals. The organisation has cleaned its house but it hasn't got itself together completely as yet and this means it is taking longer to get products approved. Investors may not want



Tony McGovern: "When a Life Sciences company comes here they generally want Ireland to be their gateway to Europe and beyond. That means having to deal with different legal systems in a large number of countries."



Barbara O'Neill: "The government needs to push Science and Technology in the education system in order to produce the graduates required by the industry", O'Neill points out. "They are coming to Ireland because it's a great place to do business but that's got to be supported. Everyone I talk to says it's the talent pool that brings them here."

to put their money into products which need FDA approval first. Companies are looking to the EU as a location for products because of that and Ireland is a perfect place to do it."

Laurel resting is not an option though. "The government needs to push science and technology in the education system in order to produce the graduates required by the industry", O'Neill points out. "They are coming to Ireland because it's a great place to do business but that's got to be supported. Everyone I talk to says it's the talent pool that brings them here."

Beyond that she says that more could be done to encourage additional R&D investment here. "Everyone needs to work together in a transparent way. We have the ingredients here in terms of the industry, the education system, the medical system and so on but conducting clinical trials in Ireland can be a bit of a challenge. If all the different actors work together to make it a more standardised process we could have more trials here and that would make it more attractive to carry out R&D activity here."

Progress is being made in other areas, however, and she points to the establishment of a more standardised technology transfer process between the higher education institutes and industry as evidence of this. "There is a lot being done but more can be done to make us best in class in this regard", she notes.

From a legal point of view it is also important for companies locating in Ireland to be able to deal with customers and partners in a variety of different jurisdictions. "When a life sciences company comes here they generally want Ireland to be their gateway to Europe and beyond", says Tony McGovern. "That means having to deal with different legal systems in a large number of countries. When they come to us at Eversheds Dublin they have immediate access to our colleagues in all our overseas offices and get the advice and information they need at no additional cost. With 49 offices in 29 jurisdictions worldwide our international reach means that we can anticipate developments and prepare for them when they reach Ireland. This allows us add value by providing commercial advice along with our legal services." ■

Transcendental Meditation
offers a promising remedy
for workplace stress says
NORMAN E ROSENTHAL M.D

Transcending

stress

***It's not stress that kills us;
it's our reaction to it
– Hans Selye***

It is a matter of broad consensus that stress in the workplace has reached epidemic proportions. So bad has the problem become, that stress is now a more common cause of long-term sick leave than stroke, heart attack, cancer and back problems, according to a report by the Chartered Institute of Personnel and Development. Workplace stress has been labeled "The Black Death of the 21st Century."

Common causes of workplace stress include excessive workload, poor management style, workplace restructuring, and problems at home. As the great pioneer in stress research, Hans Selye, observed, it is not the stress itself, but how we react to it that affects its impact on our bodies and minds. During economic downturns, such as we are facing at present, ordinary workplace difficulties become more stressful because workers feel insecure about their job stability and fearful of losing their job, especially because it is often difficult to find a new one.

Stress takes a toll on both body and mind. It is a major contributor to cardiovascular disease, the number one killer in developed countries. In addition, it predisposes to anxiety and depression,



both enormous mental health problems. For those of us who are concerned about performance and productivity in the workplace, it is crucial to find remedies for toxic work stresses. Such remedies will also lead to healthier workers, with fewer days off sick, lower health care bills, and extra years of productivity. There are many available “stress management” programmes. In this piece, I make the case why a simple but powerful technique, Transcendental Meditation (TM), should rise to the top of the list.

Why Transcendental Meditation?

TM is a simple technique of meditation, taught in a standardized one-on-one way over the course of a week. The instructor gives the student a mantra, along with instructions as to how to use it. TM is simple to learn and easy to practise. Ideally, the practitioner should sit comfortably with eyes closed for two sessions of 20 minutes each per day.

As a researcher and physician, I have been impressed by the scope and extent of research data supporting the benefits of TM (over 330 peer-reviewed articles to date). Much of this research has a direct bearing on the damaging physical effects of stress. For example, controlled studies have shown multiple physical benefits of TM versus controlled treatments, such as: (1) Reduction in blood pressure that is both statistically and clinically meaningful; (2) Actual reversal of arterial narrowing in the carotid arteries which carry blood to the brain; (3) increased longevity over the course of years (a finding that has been replicated). From the point of physical well-being alone, TM is worth practising.

But there is more. A meta-analysis of 146 treatment groups found that TM reduced anxiety to a greater extent than other approaches. Likewise, five controlled studies in people not recruited specifically for depression showed that practising TM was followed by a reduction in depression symptoms to a greater extent than control treatments. Evidence suggests that the improved blood pressure seen with TM is mediated by decreased anxiety. In other words, TM seems to be acting as a shock absorber, decreasing the impact of stress on both mind and body.

No other “stress management technique” has anywhere close to this amount of hard data in support of its claims to reduce stress.

Beyond its effects on stress reduction, TM has also been shown in numerous studies to improve levels of self-actualization – a term used to describe the need for people to be the best they can be. This benefit may result from the direct effects of TM on the brain, which include increased brain coherence. Brain coherence means that the firing patterns in different parts of the brain correspond to one another. Higher levels of brain coherence have been associated with higher levels of performance, both in businessmen and athletes.

How do the benefits of TM play out in the workplace?

To begin, let us hear from two leading business people, who are

regular meditators and have praised TM's benefits: Ray Dalio, founder of Bridgewater, the largest hedge fund in the world; and Oprah Winfrey, media icon and CEO of Harpo Studios. Dalio has said that TM has helped him make up for lost sleep and has made his patterns of thinking “more centered and creative.” With TM, he says, “Life got better and everything became easier.” He reports dealing with challenges in a calm, clear-headed way, which allows him to put things in perspective – “like a ninja.” Winfrey was so pleased with her own personal experience with TM that she provided TM training free of charge to all members of her organization. Her observations: “You can’t imagine what has happened. People are sleeping better. People have better relationships. People interact with other people better. It’s been fantastic.”

Many other CEOs and business leaders have reported similar benefits in their organizations. How can we understand these extraordinary transformations?

During economic downturns, such as we are facing at present, ordinary workplace difficulties become more stressful because workers feel insecure about their job stability and fearful of losing their job, especially because it is often difficult to find a new one.

How can TM help work-stress?

Let me count the ways. TM results in:

1. Increased brain coherence that is associated with increased levels of accomplishment
2. Reduced stress responses producing more clarity, less reactivity, and better decision-making. As Dalio put it, “I am centered – not hijacked by emotion”
3. Enhanced creativity, even with aging
4. Better physical health
5. Greater harmony

At every level of organization, TM promotes harmony. This applies within the mind of the meditator, between mind and body, and in groups. Once the meditator learns the practice and develops the habit, the 40 minutes spent per day is rapidly repaid in the form of improved performance and efficiency. How wonderful it is to think that this quiet twice-daily practice might turn out to be a remedy for “The Black Death of the 21st century!” ■

• Norman E. Rosenthal, M.D is author of *Transcendence: Healing and Transformation Through Transcendental Meditation* (Hay House, 2012).

Loyal staff key to software success

FRANK DILLON finds treasury management software firm Salmon has ambitious growth plans and is ramping up in Eastern Europe

Byrne: "IT people like a challenge and we've certainly provided that for our team here."



The IT skills shortage is a problem from which many software companies here suffer. The competition for limited skills often sees small and medium-sized companies lose out to the lure of multinationals, with their offer of higher salaries, broader career paths and the opportunity to work abroad. Staff retention therefore can be a major issue for such firms.

One firm that has no such difficulties is Salmon Software. Founded in 1985 as a specialist developer of treasury management systems, Salmon has been on a firm growth path lately with turnover growing to €1.6m. Managing Director John Byrne believes this figure can double in the coming years.

Byrne is convinced that the loyalty of his 26 staff has been one of the major contributory factors to the success of his business. A number of staff, he explains, joined the Salmon as teenagers in the 1980s and have stayed with the firm through two

recessions. "IT people like a challenge and we've certainly provided that environment for our team here. There are constant learning and development opportunities in what we do and we are fortunate to have a very knowledgeable workforce that has been here a long time," he says. Around half of the company's staff are in Dublin, with the balance split between facilities in Slovakia and Spain.

The company has expanded under the umbrella of its flagship product called Salmon Treasurer. "The system has evolved with the market, with technology and with our clients' needs, and is now is one of the most sophisticated Treasury Management Systems available in the world today," Byrne says.

Consolidation has reduced the number of competitors in Salmon's specialist niche and it remains one of the few independent software companies in its sector. Its tighter cost base has meant that it can charge more competitive fees than many of its rivals. Salmon's clients include international blue chip corporates including Airbus, DP World, Securitas and Fexco.

For Treasuries with significantly lower volumes, Salmon Software recently launched a cloud computing or Software-as-a-Service (SaaS) Treasury Management System product under the brand name TGold.

The next phase of the company's expansion involves leveraging this cloud-based solution to deliver a compelling case to financial directors. Byrne says that the cloud offering will address the demands for greater compliance and regulation with the desire for a lower cost solution by clients.

The company is currently targeting Eastern Europe for growth. With assistance from Enterprise Ireland, it is organising seminars for corporate treasury associations in Bratislava, Prague, Budapest and Warsaw, showcasing its cloud offering. "Our history is that when we get in front of people, we tend to do the business. We're hoping to do well out of these meetings," says Byrne.

Filling a hole in the market

Skynet Labs hopes to profit from its oil industry app, writes ADAM MAGUIRE

The mobile app market has proven to be fertile hunting ground for many companies, though it is often assumed to be more the domain of consumer-focused efforts like Angry Birds than anything business-orientated.

Irish start-up Skynet Labs is hoping to prove otherwise, however, and is using the burgeoning mobile and cloud sectors to tap into the reserves of the relatively small but extremely lucrative oil and gas industries.

According to Tim Duggan, the CEO of Skynet Labs, the average cost of downtime per day for an oil drilling operation is \$3 million.

Such expensive interruptions can come about as a result of the simplest misstep by drilling engineers, who are required to undertake huge swathes of calculations each day as part of their jobs.

"Sixty per cent of an oil drilling engineer's day is spent reporting, doing calculations, conversions and crunching numbers," says Duggan. "They have around 400 conversion sheets that they have to fill in, some of which are excel sheets, some of which are formula sheets and all of these tools are spread out on a day-to-day basis."

What Skynet Labs offers to do is simplify this through a range of tools that run on its own secure cloud.

Engineers pay a monthly fee to use the software and from there they can access and update their details anywhere, using the likes of the Drilling Unit Converter tool (DUC) and at any time, on a range of devices.

So in theory the engineer can analyse and edit their calculations on-the-fly at any stage, simply by using the device

they have already in their pocket.

Duggan says engineers do not even have to have connectivity of any description to do this - so even if they are out in the wilderness they can still update their calculations and know the data is being retained.

According to Duggan, the system can reduce the time spent on this administration by 25%. As it does most of the required calculations itself it also reduces the potential of human error, which is exactly what gave inspiration for the software in the first place.

"My dad is a senior drilling supervisor; I picked him up from the airport one day and when I asked how it [the job] had gone he said it hadn't been good," Duggan said. "He said one of the mud engineers had made a miscalculation and they had two days' downtime until he went through all of his calculations with a pen and a paper and found his mistake."

"I asked him how much it cost him and he said \$6m - I put two and two together and told him I had a solution to that problem."

Skynet Labs was born from this and eventually became a graduate of the recent Dublin-run Startup Bootcamp programme, which saw that idea develop into a sellable product within three months.

The company has already signed a three month test agreement with Tullow Oil and is working with a number of companies in Canada and beyond to put their work into practical use.

The next step is to get the DUC in the hands of drilling engineers working independently or for small companies around the world - of which Duggan said there are around 40,000 - and the company has a very convenient and predictable route identified to do that.

"Our sales strategy is to pitch at the educational level," said Duggan. "Every three years a drilling engineer has to take the International Well Control Forum exams - so we have an opportunity every three years to capture the entire market."

The simple idea is to get engineers using the software while they are retraining and hope they like it enough to become a



Duggan: "I asked him how much it (the engineer's miscalculation) cost him and he said \$6m - I put two and two together and told him I had a solution to that problem."

real-world user once they are back in the field.

While still in the bootcamp programme the company agreed a deal with a US-based institute that would see the software deployed in two separate schools and Duggan hopes to build out from there.

Another benefit users will ultimately find from Skynet Labs' DUC product is the value it gives to the data being inputted. According to Mr Duggan engineers generate a lot of valuable data when they fill in their conversion sheets but as they are all paper-based this is hard to capitalise on in any real way. By digitising and automating the process this app makes it easy for users to analyse the data afterwards, perhaps to find out what wells were most productive or what areas are worth focusing on.

"We're creating site-specific value information and then it's up to the drillers and drilling companies to decide what they do with that information in its afterlife," said Mr Duggan. "The point is we're giving that data an afterlife where at the moment it doesn't have one."

THREE OF A KIND

■ iCabbi

There is a lot of new technology that iCabbi has to offer the perhaps old-fashioned world of taxi and cab driving.

Depending on the range of the taxi company's operation iCabbi has a number of different systems which can help them to deal with bookings, monitor drivers and manage payments.

However at the heart of what they do from a customer-facing perspective is their mobile app, which allows users to find, book and pay for a taxi through their smartphone app.

The beauty of the system is that it does not require knowledge of a local taxi number to get a booking, and in addition users can see where their taxi is using the live tracking layer.

■ getHealth

Helping people to get healthy has been big business long before the mobile phone was ever on the scene; however the smartphone is offering companies new ways to get people moving more and eating healthily.

The tactic of getHealth is to turn the whole thing into a game - it's a light-hearted app that helps users to hit certain goals and achievements as they go about their day-to-day activities.

To give the game a little bit of edge the app is targeted at companies. The idea is that employees all sign up to "compete" with each other, with the full encouragement of their employers who might stand to benefit from a healthier, happier workforce.

■ Climote

While the recent spot of good weather may have made many forget, there is little worse than the misery of coming in from the rain to a cold home - especially if there is no hot water.

Climote - an off-shoot of Irish company Smart Homes - aims to solve this problem in a relatively simple way.

A device is connected to your existing heating system, at a cost of €399, and for a monthly fee of €3 users can then control it all through a smartphone app.

So that means you can turn the heat on at home as you leave work - or indeed turn it off while on the bus should you have forgotten to do so before you went out.

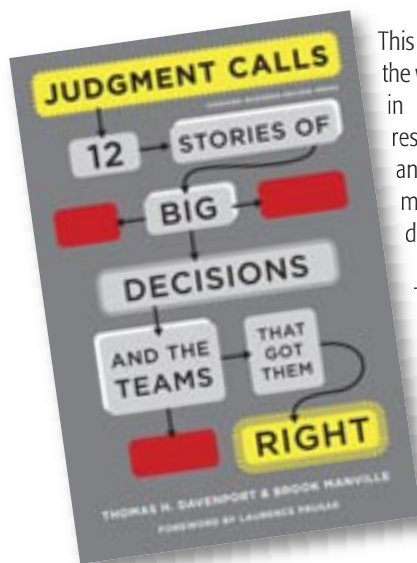
After a four week trial 75 initial users are said to have saved an average of 30% on their energy bills through the app - so it should pay for itself quite quickly if that experience is replicated by most users.

Judgement Calls

by Thomas H. Davenport & Brook Manville
Harvard Business Review Press.

€24.99

REVIEWED BY JOHN POPE



This is a powerful book. Its theme is the way in which threatening situations in major organizations can be resolved successfully by mobilising and using the talents of team members and staff to a much higher degree than is usual.

The writers have examined the way in which twelve important decisions were taken successfully as the result of a team effort. Their book is in four parts in which they tell in some detail how those decisions were made.

The first part of the book is concerned with increasing participation in the process of making decisions. It shows how this process can be improved by going directly to those who are in closest touch with the issues and facts rather than the facts being filtered through several higher levels of management, becoming distorted and delayed in the process.

The second part stresses the importance of taking the opportunities of new technology and also of the need to cut through commonly held beliefs by thorough and careful analysis. It shows how those beliefs and the causes of poor results must be tested, and how this can lead to much more effective ways of getting results.

The third part is concerned with the power of an organization or a society's culture. It shows how that culture can enable organizations to achieve what others believed would be impossible, and also how an able leader can use this culture. One example is drawn from ancient history - the ability of Athens, a tiny state in 5th Century BC, to stand against the vastly more powerful Persian Empire. The authors do not, however, mention that a strong and widely held culture under a strong leader can be used for evil purposes and eventually lead to disaster, as happened in Europe under National Socialism.

Their fourth part is concerned with the importance of leaders

setting the right context and shaping the way members think about issues. Backing up their views with examples, as in the rest of the book, they also explore the way an organization works and how it can work better.

I have read many books on managing major changes in business – this is the best by far. Those who have the opportunity to re-shape any organization of any size, the way it works and develops, and the way people lead and can be led more effectively will find great ideas and encouragement here. It is worth regular reading and re-reading.

Management in 10 Words

by Terry Leahy, Random House.

€14.99

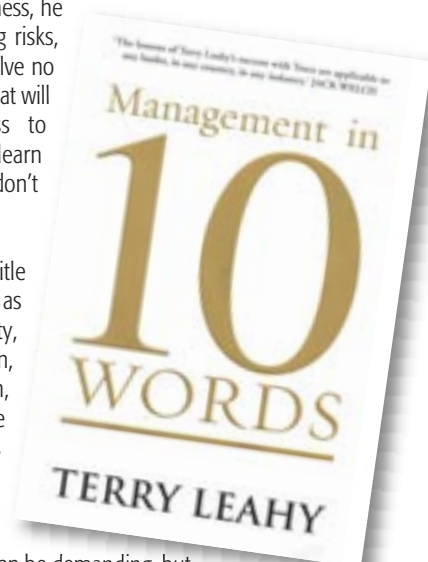
Leahy is credited with transforming Tesco from the poor relation of British retailing into the largest supermarket chain in the UK and with setting it on a firm overseas acquisition path. It is now the third largest retailer in the world, with over 6,000 stores and operations in 14 countries in Europe. As CEO for 14 years, Leahy introduced innovations including new services and new retail formats, and he recounts his experiences in this interesting business biography.

Refreshingly, he is also candid about the mistakes made along the way, including his first campaign as marketing director, a failed attempt to create restaurants in his stores and an unsuccessful launch in Taiwan. Business, he reflects, is about taking risks, and decisions that involve no risk are not decisions that will enable your business to grow. The trick is to learn from mistakes so they don't prove fatal.

The 10 words in the title form chapter headings as follows: truth, loyalty, courage, values, action, balance, simple, lean, compete and trust. One of the key messages from the book is about listening to customers and giving them what they want. Customers can be demanding, but

at the same time they are not unreasonable and in Leahy's experience they have a remarkable understanding of the problems that management face in solving problems.

Candid and well written Leahy's book has much to impart about how to run a large business successfully. Disappointingly though there's only one reference to Tesco's involvement in Ireland, a passing reference to its first unsuccessful foray here in the 1980s.



The Intention Economy by Doc Searls, Harvard Business Review Press.

€24.99

The huge shift in power to consumers in market relationship is the theme of this book from Searls, a US-based author, journalist and widely-read blogger. Searls envisions a world in which customers no longer go online to browse the offerings of various businesses, hoping they can find a product or service that meets their needs.

Instead, they let their favourite businesses know what they are looking for and wait for businesses to come after them with

offers. Consumers will be able to control the flow of personal data, build their own loyalty programmes and dictate terms of service, including the price. This change in approach is not far off, he says. Searls is part of a team writing computer code to create Vendor Relationship Management (VRM) software, a consumer take on Customer Relationship Management (CRM). The old model of advertising could soon disappear, Searls suggests. However, he sees benefits for companies in this new paradigm – at least for those who are alive and responsive to the opportunities. Instead of having to guess what consumers want and attempting to compete for their attention, companies can respond directly to customer intentions, eliminating a lot of wasted effort.

This is a thoughtful, well researched book with a compelling thesis and call to action for marketers.

Book of Business Quotation edited by Bill Ridgers, The Economist.

€14.99

Managers who make formal business presentations will find this compendium of quotes very handy - there are witty barbs and sharp observations aplenty about all aspects of business life - classic Powerpoint slide material.

It ranges over the entire facet of business, from money to ethics, sales, success, talent and business failure. Business gurus such as Alfred Sloan and Tom Peters feature, as does our own Michael

O'Leary in one of his more colourful outbursts. As Ridgers observes, we like business quotations because we have a desire to acquire the distilled wisdom of others and also because we love a cutting comment and a good moan. We also love it when people put their foot in it: witness retailer Gerald Ratner's comment about why he could sell a sell a cut glass decanter with six glasses on a silver-plated tray for £4.95 – because it was 'total crap' – a remark that was to haunt him long afterwards.

Or take this other foot in mouth example from David Shepherd, brand director for Topman:

"Our target customers are football hooligans ... very few of our customers have to wear suits to work. They'll be for his first interview or first court appearance."

Marketing Greatest hits vol. 2 by Kevin Duncan, Bloomsbury.

€12.99

Duncan's book is a jam-packed compilation volume of the latest thinking in marketing based on summaries of the key ideas in books written on the subject in recent years. As such, it provides an excellent starting point for those wishing to explore more or to simply get a handy bluffer's guide to a range of good modern business books.

There are six chapters covering topics such as marketing, branding, consumer behaviour, creativity and personal organisation. Each chapter then summarises the messages in a number of books in two or three pages per book, with a one-sentence summary of each of the books. Kotler and Caslione's 2008 bestseller *Chaos* is summarised thus – 'turbulence is the new normal so get used to it and build early warning systems'.

If these summaries are not brief enough, Duncan takes it to a further level with a one minute summary of each of the titles later in the book, arranged in bullet points under the headings of what the book says, what's good about it and what you have to watch - the last point serving generally as a mild qualification for an otherwise flattering review.

Duncan resists putting the boot in to poor management books, restricting himself to covering titles from which he thinks readers will gain insights. Given his obvious writing skills and his ability to cut to the chase easily, it would have been more entertaining had he ripped through some of the 'turkeys' along the way. Overall, however, this is a very worthwhile book to be dipped in and out of, and one that will stimulate further reading. ■

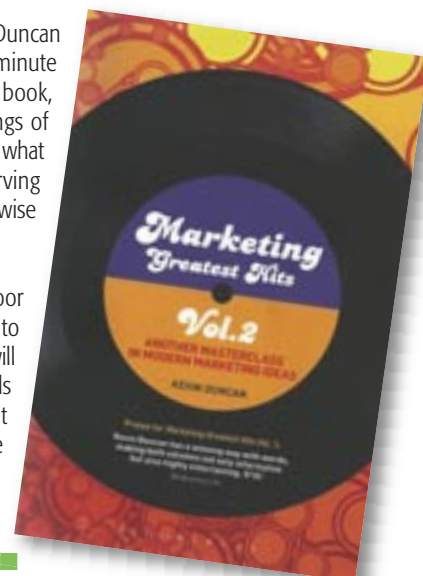
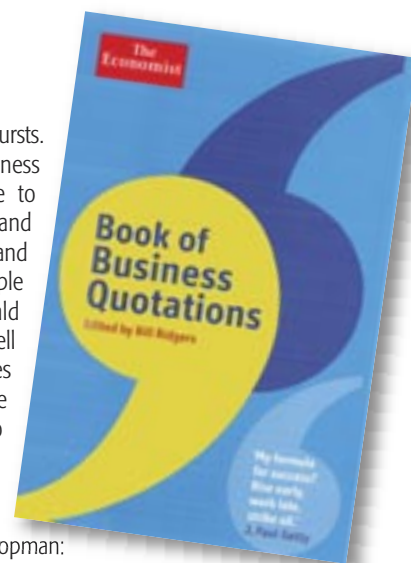




Image courtesy of RTÉ Stills Library.

The Rear View

Canon McCarthy with vision mixer Max Mulvihill and director Chloe Gibson, in the control room during the broadcast of the Benediction of the Blessed Sacrament, on the opening night of Telefís Éireann on New Year's Eve 1961. Telefís Éireann (later called RTÉ Television) began broadcasting that evening at 7.00pm. Celebrations took place in the ballroom of the Gresham Hotel from where an outside broadcast unit relayed pictures.



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